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# **Daily Report—**

## **East Asia**

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# Daily Report

## East Asia

FBIS-EAS-94-155

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## Japan

### Reports on U.S.-Japan Trade Talks Continue

#### Kantor Comments

OW1108023494 Tokyo KYODO in English 0217 GMT  
11 Aug 94

[Text] Washington, Aug. 10 KYODO—U.S. Trade Representative Mickey Kantor expressed hopes Wednesday [10 August] for progress in the trade "framework" talks with Japan but simultaneously noted that steps for potential sanctions are also in process.

Kantor told a group of reporters he is sure progress can be made when he meets Ryutaro Hashimoto, Japanese minister of international trade and industry, in Los Angeles next month.

He added he is looking forward to the series of meetings between Japan and the United States scheduled in the latter part of August on respective areas of the trade negotiations.

The talks, held under a bilateral agreement in July last year to set a new framework for free trade, are dealing with three "priority" areas—government procurement practices for telecommunication and medical equipment, auto and auto parts trade, and insurance.

"I also expect to meet (Japanese Foreign) Minister (Yohei) Kono in L.A. and he has jurisdiction over a number of the issues as well," Kantor said.

Ministers from Canada, the European Union, Japan and the U.S. will gather in Los Angeles on Sept. 9-11 to discuss trade problems.

"I wouldn't expect the framework talks would be a topic of conversation among the quad ministers formally," Kantor said, since the meeting is not designed to address bilateral concerns and even the framework talks have multilateral implications.

He said the quad ministers will focus on measures concerning post-Uruguay Round trade barriers, implementation and ratification of the round and operation of the World Trade Organization that will replace the General Agreement on Tariffs and Trade in 1995.

Meanwhile, Kantor said an interagency group has begun to study the possibility of retaliating against Japan for unfair trade practices under the "Super 301" provision of the 1988 Trade Law in order to give final recommendations to President Bill Clinton.

He did not, however, elaborate on the development of the procedure nor on the potential content of the recommendation.

Washington officials have said Sept. 30 is the deadline to decide whether or not to impose sanctions against Japan.

"We believe it is important to have results-oriented agreements that can objectively look at the product of what we agreed to in order to make sure that what we are doing not only is effective but makes sense," Kantor said.

Meanwhile, referring to the problem on Japan's decision to squeeze the amount of its emergency rice import, Kantor said it is a private dispute and "should not affect our relations in terms of opening up Japanese markets."

He previously mentioned in a letter to Vic Fazio, a democrat representative from California, that the matter will be investigated through diplomatic channels.

U.S. legislators led by Fazio recently said the sudden change of Japan's import policy is estimated to cause losses of 87 million dollars during 1994-95 and would call the office of the U.S. Trade Representative to take appropriate steps for remedial measures.

Japan decided to squeeze its initial import plans since the harvest this year is expected to be the richest in 10 years due to good weather in contrast to the cold and rainy summer last year.

According to industry sources, Japan's Nichemen Corp. initially asked a U.S. trading house on behalf of the Japanese Government to procure 644,000 tons of rice. They said, however, 75,000 tons of the total would be stockpiled facing the policy change by Japan.

#### Clinton's Position Analyzed

OW1108080394 Tokyo SHUKAN DAIYAMONDO in  
Japanese 13 Aug 94 p 16

[Text] On 31 July, negotiations on the government procurement sector of the Japanese-U.S. framework talks finally broke down. As a result, the Office of the U.S. Trade Representative [USTR] designated Japan as a nation to be subject to sanctions, and on the following day, 1 August, newspapers and radio stations unanimously reported as a major story the fact that "Japan is in a serious situation."

However, looking at the process of the United States' making and announcing the decision, the anguish of the Clinton administration, which has been making successive mistakes in foreign and domestic affairs, can be felt.

First, although USTR Mickey Kantor even canceled a scheduled trip abroad and remained in Washington, he, contrary to his enthusiasm for doing so, merely made a statement on that day on "Japan's being designated as a unfair trading partner" and did not hold a news conference. His attitude was reportedly an expression of the U.S. position of not wanting to aggravate its relations with Japan while sending the message domestically that "Japan is unfair."

In fact, the Clinton administration is currently in a position in which it will be subject to criticism both if its approach to Japan is too harsh or too weak. Of course,

the hardliners in the Democratic Party will express their dissatisfaction if the approach is too weak; and, on the contrary, powerful members of the Republican Party will take the offensive against the administration if its approach is too harsh.

Moreover, in domestic affairs, the administration is being plagued by scandals such as the Whitewater affair and a number of sexual harassment incidents. Besides, with the midterm elections taking place this fall, the Republicans are launching a fierce offensive against the administration's diplomatic failures. For instance, Brent Scowcroft, who was in charge of security affairs under the Bush administration, has been criticizing the weak approach of the Clinton administration to the problem of the Korean peninsula, and recently, his criticism has been growing in intensity.

Officials who were at the center of the Bush administration have recently been further escalating their "Clinton bashing." A typical example is James Baker, who held such posts as secretary of state and presidential chief of staff, and who is rumored to be considering running in the next presidential election. He severely criticized the Clinton administration, saying, "It has depleted the credibility that the United States has established so far." Referring to foreign policy as a whole, he pointed out that "policy is being made exclusively by the USTR and the Departments of the Treasury and Commerce," and he criticized the administration bitterly for changing its policies "more frequently than people change their shirts," claiming that "it is embarrassing its opponents as well as its supporters with its talkativeness."

Criticism against this economic-centered foreign policy also applies to Japanese-U.S. relations. Dick Cheney, who played an active role in the Bush administration as secretary of defense and who is also said to be a possible candidate in the next presidential election, stated that "the Clinton administration has confined Japanese-U.S. relations to a trade relationship." He also strongly blamed the Clinton administration, saying, "The economic-centered tough attitude of the administration has damaged Japanese-U.S. relations."

Although the Clinton administration has loudly declared that it will impose sanctions against Japan, it is the Clinton administration which is on the defensive and which is unable to either take strong action or lay down its arms.

#### **Politician, Bureaucrat Negotiate**

*OWI 108081694 Tokyo MAINICHI SHIMBUN in Japanese 10 Aug 94 Morning Edition p 9*

[From the "Topic" column by Economic News Department reporter Toshiro Hara: "Seeking a Breakthrough in the Framework Talks—Ruling Parties, Bureaucrats To Negotiate Next Month Over 'Political Decision'"]

[Text] Some Japanese bureaucrats are beginning to think "a political decision is necessary" to break the deadlock

over the Japan-U.S. Economic Framework Talks; the bilateral negotiations have long been stagnant because of the rigid attitudes of working-level negotiators. On the other hand, opposition to thoughtless concessions is still deep-rooted among working-level negotiators as Japan had a bitter experience in semiconductor talks with the United States. At that time, Japan put a "20-percent" clause in the bilateral agreement after a political decision, and this was later claimed by the United States to be a numerical target. Taking this into consideration, the ruling coalition parties and bureaucrats are expected to open negotiations next month on whether Japan should make some sort of political decision on the framework talks.

The economic framework talks will reach a crucial point this coming September, when the United States determines items for economic sanctions according to the government procurement (or the so-called Title Seven) and Super 301 provisions of the 1988 Omnibus Trade Act. Under the framework talks, Japan and the United States agreed on giving priority to such negotiation fields as government procurement (of medical and telecommunications equipment), insurance, and automobile and auto parts. Among the "three priority subjects," government procurement negotiations are seemingly closest to the goal, and Japanese negotiators have said: "At the least, we want to settle the procurement talks before the end of September" (as noted by a government source).

So far, however, Japan and the United States have not reached any accord during government procurement negotiations. In response to a U.S. demand for clear "objective criteria promising considerable expansion of future procurements," Japan insists "it is impossible to make promises about the future." As a result of bilateral discord from the starting point, negotiations have not yet fully begun on the procurement plans of Nippon Telegraph and Telephone (NTT) Corp., which is supposed to be the main body of the government procurement talks.

The framework talks are scheduled to reopen in late August, but the United States is unlikely to make remarkable concessions on the eve of off-year elections in November. Under such circumstances, most Japanese negotiators have said: "It is impossible to settle the auto talks before the end of September." A senior official of a concerned ministry stated candidly: "The government will probably have to discuss the need for some drastic offers—for instance, we may have to pledge 'efforts for expanding procurement in the future' without indicating specific figures." On the other hand, the majority of bureaucrats still take a negative attitude toward concessions by politicians, saying: "Japan must stick to its principle of not making promises about the future."

In the Structural Impediments Initiative (SII) talks in 1990, the ruling Liberal Democratic Party [LDP] and Finance Ministry had heated debates on whether Japan should pledge 430 trillion yen in expenditures in its 10-year public works plan. While the government is

currently run by a coalition administration, the LDP still has control over Japan-U.S. affairs. The framework talks are expected to be resumed at the ministerial-level taking the opportunity of quadrilateral trade talks to be held in the United States on 9-11 September. Immediately after the meeting, Kasumigaseki [bureaucratic circles] and Nagata-cho [political circles] will have to have "internal" debates to finalize Japan's stand on the framework talks through the mediation of cabinet ministers in charge—the foreign, finance, and international trade and industry ministers.

#### Correspondent Comments

*OW1108101994 Tokyo ASAHI SHIMBUN in Japanese  
10 Aug 94 Morning Edition p 4*

[Article by Hiroaki Ito of ASAHI SHIMBUN's Washington Bureau for the "Contention and Commentary" column: "New Japanese-U.S. Economic Consultations; Springboard for Reform of Practices and Collusion; Even U.S. Demands Are Worth Listening To"; first two paragraphs are ASAHI SHIMBUN introduction]

[Text] With the negotiations on the government procurement sector of the new Japanese-U.S. economic consultations making no progress, the U.S. Government at the end of July started taking steps to enforce sanctions against Japan by invoking the Omnibus Trade Act (the article on government procurement). The United States' intimidating way of doing things is making Japanese officials increasingly disgruntled.

But we must recognize that even the U.S. Government's criticisms and demands, which sound so arbitrary, are in fact striking at the heart of the existing problems of the bureaucrats-businessmen collusion, as well as of the Japanese industry's old commercial practices of blocking newcomers' entry into markets and of upholding prices through bid rigging. The two countries are now narrowing the gap in their views over the issue of objective criteria, which has been the focus of the dispute, and there is a growing mood concerning the possibility of the talks reaching a breakthrough by the end of September. If Japan and the United States can come to an agreement and make the best of it, the agreement can be a springboard toward a reform of the "negative structure" of Japanese society.

The reason for the talks on government procurement—the sector about which we all had thought that a settlement was close to hand—having had no other way to go but to fail was a "cleavage between the two parties" on the "objective criteria to measure the openness of markets," according to a high-ranking government official. We will see how the proposals of Japan and the United States have differed with each other. (see the table below)

#### Changes in Positions of Japan and the United States Over Objective Criteria United States' Position:

Initially, market shares for foreign products should be increased to the levels close to those found in the major industrialized nations. Now Significant increases should be achieved in annual procurements as well as in market shares of foreign products viewed over the medium term. Judgments on the conditions should be based on the degree of increase in shares by taking into

account the total values, rates of growth of such values, and the latest trend in market shares.

**Japan's Position:** Initially, judgments on conditions should be made by viewing changes in trends from the past to the present of sales and market shares of foreign products. Now Actions should be taken to increase sales of and market-access opportunities for foreign products. Judgments on conditions should be made based on changes in the trends from the past to the present but should also take into account whether there have been actual increases.

If an actual "increases" in the procurement of foreign products is used as objective criteria, Japan wants to use "changes" from the past to the present as the objective criteria.

The United States insists that "because heightened fairness and transparency should contribute to the increased procurement of competitive foreign products, the increase should be made the criteria," but Japan would not yield on its position, and it still insists: "The fairer the way that biddings are conducted becomes, the harder it will become to manipulate biddings. We cannot accept criteria which will guarantee 'increases.'"

In fact, however, through the negotiations conducted so far, the two sides have come a little closer together than before. The U.S. Government (Deputy U.S. Trade Representative Charlene Barshevsky) initially demanded that "foreign products attain market shares at the levels of those found in major industrialized nations," but it has since backed off from that position after being criticized by Europe, Australia, and various Asian nations for wanting "managed trade." More recently, the United States has toned down its calls concerning "increases." Officials used to say that they wanted "conspicuous increases," but they are now saying that they want "significant increases."

For its part, Japan, too, is trying to come closer. Whereas it used to say that judgments should be made on the basis of "changes in trends from the past to the present," it now has added several words to that expression—"but should also take into account whether there have been actual increases."

As such, as far as the expressions are concerned, there exists only a very slight difference. What now happens in the next round of negotiations depends on whether or how the United States' mistrust in Japan and Japan's mistrust in the United States is removed.

#### Bid-Rigging Practices Targeted, Too

What we should pay attention to among the demands from the United States are those related to the easing of regulations and the remedying of commercial practices in order to bring about a change concerning Japan's closed markets.

U.S. Trade Representative Mickey Kantor has pointed out that information on procurement by state-run or public hospitals is distributed to only a limited group of businesses. Actually, in 1992, an assistant professor at Tokyo University who received a total of 6 million yen from a businessman for choosing the products of a certain pacemaker manufacturer was arrested on suspicion of taking bribes. Similar incidents have occurred at Ehime University, the Tokyo Medical and Dental University, and the National Defense Medical College.

The system of "contracts ad libitum" which enable influential doctors and professors to choose suppliers or products for procurement purposes has become a hotbed of graft. The recent Japanese-U.S. meetings on medical equipment and instruments discussed making "reductions of contracts ad libitum" an objective criterion in addition to various other measures to prevent collusion.

The U.S. Government has also targeted the problem of Japan's bid-rigging practices and has demanded the strengthening of the Antimonopoly Law and the reinforcement of the structure of the Fair Trade Commission [FTC] in this regard.

The following are the industries which are reported to have been investigated by the FTC for their suspected involvement in bid rigging since January 1993: seals [for printed materials], coatings, corned-beef canning, aerial survey, raw concrete supply, fern importing, production of mosaic tiles, no-carbon [preceding word published in English] paper, the sale of trucks, the electric-system installation business, petroleum sales, exterior wall panels, leasing of beddings, metering gauges for piped water, refrigerated warehouses, potable water and wastewater treatment, shutters, and rental furniture.

Many people have complained about the "manufacturers' power over distributors" as is often seen in the pressure put on retailers by cosmetic manufacturers not to sell their products cheaply. This system of blocking access to newcomers, including foreign businesses, brings nothing to consumers but high prices.

While the sheet glass industry is considered the U.S. Government's "next target" according to a government official, the FTC, too, has pointed out irregularities in that industry.

A survey conducted by the FTC shows that three manufacturers control the entire market. Even though the prices of imported products are "20 to 30 percent" cheaper than local goods, the sales of foreign sheet glass products—excluding those imported directly by the manufacturers—total only 3 to 4 percent of the market. The FTC has pointed out that the existing system of contracts restricting exclusive agents to selling the products of only one manufacturer "makes it difficult for newcomers to enter" the market and "makes it easy for manufacturers to take concerted actions."

To be sure, many of the U.S. Government's demands of Japan are arbitrary. That government has the buy-American law, which treats U.S. products favorably in

some types of government procurement, but it continues criticizing Japan's government procurement system. When the reason for not being able to sell exports is the inadequacy of efforts, the U.S. Government sometimes accepts a handful of U.S. businesses' claims about being treated unfairly and makes complaints to Japan. The Problem Is How the Agreement Should Be Put to Good Use [subhead]

Whatever the motives may be, there is no question that the United States is proceeding to delve into the issues of the nontransparent practices of Japanese industries, as well as the collusion between bureaucrats and businessmen. Should Japan not listen to these critical voices more frankly?

There is now a possibility that the new Japanese-U.S. economic consultations will be concluded by the deadline for the imposition of sanctions at the end of September. There is now a mood in the U.S. Government for wanting to link the resolution of the issues concerning Japan with the winning of votes in the midterm elections. Besides, a better system for tackling these issues is being formed within the new Tomiichi Murayama government as well.

The question we now must ask ourselves is now that we will soon have an agreement which promises the straightening out of many of the distortions in Japan, how far will we be able to go in reforming this nation?

#### Present, Future of Japanese Car Sales in U.S.

*OW1008203994 Tokyo YOMIURI SHIMBUN in Japanese 9 Aug 94 Morning Edition p 7*

[Unattributed article: "Japanese Cars Are Invincible—They Retake Their Share of 30 Percent of U.S. Vehicle Market"]

[Text] The sales of cars in the U.S. vehicle market are picking up notably. Japanese automobiles are selling so briskly on the U.S. vehicle market that their sales are expected to exceed those of American-built automobiles. Largely affected by the continued appreciation of the yen, the sales of Japanese automobiles once fell below the 30 percent of share of the U.S. vehicle market, and it had been pointed out that Japanese automobiles have now lost competitiveness in the U.S. car market. Japanese automobiles recently retook their share of 30 percent of the market, and it is being said "Japanese automobiles are invincible." Why have Japanese cars regained their competitiveness in the U.S. car market? What will be the future task for them? YOMIURI SHIMBUN has covered how Japanese automakers operating in the United States are dealing with the question of restoring their competitiveness.

Koichi Amamiya, president of Honda America, a locally-incorporated subsidiary of Honda Motor Company, definitely said: "Japanese automobiles have not died so simply. Each Japanese automaker has built up a

system under which it can compete with American automakers in the U.S. vehicle market."

Japanese automakers sold 267,476 automobiles in the U.S. car market in June, a sharp increase of 15.8 percent over the same month the previous year. As a result, their share of the U.S. car market, which fell to 29.1 percent last year, rebounded to 30.7 percent, slightly exceeding the 1992 level of 30.1 percent.

The strengthening of their sales network is behind the sharp rise in their share of the U.S. vehicle market. "Saturn," built by General Motors Corporation, is at the top in terms of the number of cars sold per dealer, followed by "Honda," built by Honda America, and "Lexus," built by Toyota Motor Corporation. Dealers specializing in the sale of Japanese cars monopolize the remaining sales ranks. Mark Gaudei [name as published], president of "Gaudei Honda," the biggest dealership specializing in the sales of Honda cars in Los Angeles, declared, "American consumers are still fascinated by Japanese automobiles."

The continued appreciation of the yen since 1993 has forced Japanese automakers to raise the prices of their automobiles on the U.S. vehicle market. The increase in the lease sales of Japanese automobiles is behind their brisk sales on the U.S. vehicle market. The lease sale is a sale method whereby the "residual value" of 3-4 years later are set in advance by type of car, and then the balance between the price of new cars and the residual value is paid in monthly installments. The residual value of Japanese automobiles, which have a relatively low repair rate, is higher than that of other foreign cars, and even if the prices of new Japanese automobiles are high, the monthly payments for them are lower than those for American automobiles.

The Japanese automakers have been aggressively adopting the lease sale method since last year, and about 30 percent of Japanese automobiles are presently sold by this lease sale method. A dealer specializing in the sale of Japanese automobiles said, "American consumers still have high confidence in Japanese automobiles."

Aside from the brisk sales of Japanese automobiles on the U.S. vehicle market, the sales of such recreational vehicles (RV) as minivans and jeeps on the U.S. light-truck market will be a major task for Japanese automakers.

The U.S. light-truck market has been growing at a fast pace. The market, which took 20 percent of total car sales in the United States in 1981, is expected to increase its share to 40 percent in 1994. The sales of the "Quest," a minivan developed jointly by Nissan Motor Company and Ford Motor Company, are brisk on the U.S. light-truck market, but other Japanese automakers lag far behind Nissan Motor Company. Japanese automakers have a mere 10 percent share of the U.S. light-truck market.

For this reason, Honda Motor Company will begin selling minivans on the U.S. light-truck market toward the end of this year, and Toyota Motor Corporation is studying the possibility of selling locally-built minivans on the U.S. light-truck market. After obtaining the right to use Isuzu Motors Company's OEM (original-equipment manufacturing manufacturer), Honda Motor Company and Isuzu Motors Company have been jointly developing a next-generation recreational vehicle, the "Passport," which has been on sale since last year. They have been developing the recreational vehicle with an eye on the fast growing U.S. light-truck market.

The sharp appreciation of the yen, which has already broken the barrier of 100 yen per dollar, has become a matter of concern for Japanese automakers. Each Japanese automaker has raised moderately the prices of its cars regularly in the spring and the fall. If the appreciation of the yen continues as it has, it would make it inevitable for Japanese automakers to raise the prices of their cars and undermine their lead in the sales of cars on the U.S. car market which are shored up by the lease sale method. For Japanese automakers to retain the current brisk sales of their cars on the U.S. vehicle market, "their strategies for light trucks" and their measures to deal with disadvantages resulting from the appreciated yen hold the key.

**Translation Center With U.S. 'Basically' Agreed**  
*OWI108011394 Tokyo KYODO in English 0034 GMT*  
*11 Aug 94*

[Text] Washington, Aug. 10 KYODO—Japan and the United States basically agreed Wednesday [10 August] to jointly set up a computer-aided translation center in Washington as early as 1995, Japanese officials said.

The accord was made at bilateral working-level talks on access to information on science and technology in Japan, which were held here Wednesday as part of "framework" trade talks.

Under the accord, the two countries will make use of a Japanese-to-English automatic translation system already developed and partially utilized by Japan, the officials said.

The center will be in charge of translating Japanese science and technology documents for U.S. researchers.

Japan and the U.S. also agreed to study the possibility of connecting high-speed communication networks involving research institutions of Japanese Government ministries and agencies, and universities, with those of the U.S., the officials said.

**Sumitomo Expands Parts Production in Mexico**  
*942A0557A Tokyo NIHON KEIZAI SHIMBUN in*  
*Japanese 6 Aug 94 p 8*

[Text] Sumitomo Electric Industries will expand its production facilities for automotive wire harnesses in

North America. It recently commenced production on a portion of its new assembly line at Contec Company, a production subsidiary located in Mexico, which is its second wire harness production center in North America. The assembly line will be in full production in 1995 and with Sumitomo Electric Wiring System (SEWS) of Kentucky will double current production to a level equaling enough wire harnesses to equip a total of 40,000 cars a month.

U.S. automotive demand is recovering at a steady pace and Japanese automakers based in North America are requesting stepped up production of wire harnesses. Contec Company is a production subsidiary located near the border of the United States and Mexico. The production subsidiary was established in 1992 because SEWS had reached its capacity and as part of a move to locate production of labor-intensive items in Mexico where labor is cheaper.

Production was initiated recently, but 2,000 employees have already been recruited and full production is expected to start in 1995. SEWS and Contec are expected to reach equal production levels. However, the labor-intensive fabrication of wires will be handled by Contec and the final assembly of harnesses will be performed at SEWS. Future increases in demand for wire harnesses will be absorbed through expansion of the Contec facilities.

Sumitomo Electric Industries is implementing a program to locate production centers for automotive wire harnesses in Europe, North America, and Asia because of the labor-intensive nature of such production.

#### Toshiba Begins North America Cellular Sales

942A0513A Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 Aug 94 p 14

[Text] Toshiba has begun to market cellular telephones under the Toshiba brand name in the U.S. market. Toshiba's share for celluarls is 15 percent of the North American market, but in the form of an OEM (original equipment manufacturer) supplier. It will begin sales of celluarls through its domestic appliance distribution network and reinforce its marketing efforts with a view to expanding North American sales by 20 percent this fiscal year over the prior year to a total of 600,000 units. Its strategy calls for boosting its brand image in the information-telecommunications sector to enhance future sales of multimedia equipment to be targeted at individual consumers.

Toshiba America Consumer Products (TACP; New Jersey) which controls the marketing of domestic appliances for Toshiba will assume the new mission of selling cellular telephones in the North American market. Toshiba has developed and initiated sales of Toshiba brand cellular telephones that use low-power integrated circuits and nickel hydride batteries with a capacity of 110 minutes. The units are being manufactured at the

Hino plant (Hino city, Tokyo), and will be sold at the projected rate of 10,000 units a month for the near term under the Toshiba brand.

Toshiba was a latecomer to the domestic cellular telephone market and has used a strategy to emphasize the North American market as a means to reinforce its cellular activities. As an OEM supplier, Toshiba sold 500,000 cellular telephone units during the last fiscal year through Audiovox, a U.S. distributor of automotive equipment such as car audio systems. It decided that it could reinforce its marketing capabilities for celluarls by adding its domestic appliance sales network without imposing undue competition on the automotive equipment sales structure.

Toshiba has positioned personalized multimedia equipment such as the personal digital assistant (PDA) as a priority commercialization target area, and it looks at North America as the largest potential market for such equipment. Toshiba feels it can accomplish penetration of the Toshiba brand name and accumulate marketing know-how in conjunction with the commercialization of multimedia projects by adding the Toshiba brand cellular telephone, which is a potentially strong product line, to its domestic appliance and personal computer lines.

#### Report on Mourning Delegation to DPRK Denied

941108005894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 10 Aug 94 Morning Edition p 6

[By Moriyasu Okazaki]

[Text] Beijing, 9 Aug—On 9 August in Beijing, Taku Yamasaki, Liberal Democratic Party member, said that Li Shuzheng, CPC International Liaison Department head, and Tang Jiaxuan, Chinese vice foreign minister, denied a Hong Kong paper's report on a Chinese mourning delegation visiting the DPRK.

The Hong Kong paper said the CPC and the Chinese Government jointly sent a mourning delegation to the DPRK immediately after Kim Il-song's death. However, the two officials told Yamasaki that China postponed dispatching the mourning delegation because the DPRK said it would not allow any foreign delegations to attend the funeral for Kim Il-song.

#### Growing Vietnam Market Lures Foreign Business

##### Low Costs Attract Manufacturers

942A0411A Tokyo AERA in Japanese 20 Jun 94 pp 6-9

[Article by editorial staff writers Kiyoshi Isshiki, Sakae Hanochi]

[Text] The United States has lifted the economic sanctions on Vietnam and normalization of relations between those two nations is imminent. There is a strong

desire on the part of the United States economic community "not to fall behind Europe and Japan." With the "shackles" of sanctions removed, Japanese firms are scurrying to set up offices. With an untouched 70 million person market and a high-quality work force, it is an Asian nation with an abundance of enticements.

Despite the fact it was a hotel banquet hall, it was intolerably stuffy with 120 people gathered in the choking heat.

First, Toyota Motor Senior Managing Director Akira Yokoi gave a speech.

"Toyota is the second-ranked automaker in the world. The growth in Asia is significant and we especially consider the future of Vietnam to be promising. Because we intend to cooperate in the development of Vietnam's automobile industry, we hope you will favor us in the future as well."

Guest Nguyen Ngoc Le, Hanoi People's Committee vice chairman, stood up. He is the number-two man in the capital's administrative agency.

"Toyota is an extremely popular car in Vietnam. We welcome your coming to Vietnam."

Hanoi on the evening of 18 May. Built as a guesthouse of the Vietnamese People's Army, it is now the Army Guesthouse Hotel where ordinary people can stay and this is where Toyota Motor held its party to celebrate the opening of its Hanoi office.

The invited guests included bureaucrats of the Ministry of Heavy Industries and the Ministry of Transportation and Communications, people related to end user firms, as well as Japanese trading company and banking officials, etc., residing in Vietnam. In addition to Senior Managing Director Yokoi were three Toyota hosts lined up at the entrance to greet the guests.

Two days later on 20 May in Ho Chi Minh City, approximately 120 people were invited to a party to celebrate the establishment of the Ho Chi Minh City office. It was the first time among the Japanese automakers that such parties were thrown in succession.

In July 1993 Toyota opened a resident representative office in Vietnam. Why did it take nearly a year before it held a party?

According to Asia Department Assistant Manager Kenji Ueno, "there just happened to be an opening in the schedule," but the invited guests took it to mean that Toyota had finally established a forum to make an appeal in its attempt to make a full-fledged expansion into Vietnam in addition to the fact that the U.S. economic sanctions were lifted in February.

Vietnam wants automakers. At present two manufacturers are assembling automobiles there. One is Mekong

Corporation, which was established by a company affiliated with the Unitarian Church, and the other is Vietnam Motors, in which a Philippine assembly maker is central.

According to an individual related to the Vietnamese Government, "Since no big automakers came, such nondescript ones were admitted."

However, beginning this year, production by South Korea's Daewoo Group was decided, as was the expansion by Mitsubishi Motor Industry at the end of April.

With the removal of economic sanctions by the United States and the development of Vietnam becoming a reality right before their eyes, the big manufacturers began to move.

It is thought that the current number of automobiles owned is 240,000. The number of annual new car unit sales is in the neighborhood of 10,000 units. Since the market is still exceedingly small, communication was made that the government's policy was to put an end to this by granting approval to these four companies.

However, recent information has it that the fifth place will be given to Toyota. The U.S. Big Three are also expressing desire for expansion.

Further, in the streets of Hanoi, talk of expansion by such makers as Nissan Motor, Isuzu Motor, Mazda, Suzuki, Volkswagen, Peugeot, etc., can be heard.

Says Assistant Manager Ueno, "No one is certain just how many automakers will ultimately produce here. The only thing certain is that a mere four companies will not be satisfactory."

The fierce expansion competition of the automakers will be decisive in this nation's future.

#### The Middle Class Is Being Cultivated

"Even at home you must practice every day. Is that clear?"

"Yes, teacher."

In the children's culture center in Ho Chi Minh City, the children, sitting before keyboards, answered their teacher.

It is the Yamaha keyboard classroom that started in January 1994. Yamaha opened the first keyboard classes in Vietnam in Hanoi and Ho Chi Minh City.

"This country has a natural zeal for education. We decided that there was sufficient groundwork for acceptance of a music classroom," said a Yamaha representative.

Mrs. Nguyen Thi Phan (35) is the mother of a seven-year-old girl and a four-year-old boy. She takes her eldest daughter Hanh to and from the classroom by motorized bicycle.

"Since I thought the child might have a touch of musical talent I decided to let her attend. If there are no particularly good results, it's fine if she doesn't take a musical path."

In fact the eldest daughter also goes to painting class. Her younger brother is learning boxing.

The classes meet once per week and the course fee is 50,000 dong (approximately 500 yen) per month. When she started, she had to purchase a Yamaha keyboard for 2.5 million dong (about 25,000 yen).

Her husband is a salaried employee in charge of trade at a Vietnamese firm. She says he is not particularly a high wage earner.

Hain's teacher is Mr. Nguyen Thi Tuyet Chan (24). He began the study of piano in Hanoi at the age of eight, and at 16 he studied abroad at the Tchaikovsky Music University in the former Soviet Union. He returned to Vietnam at the age of 21. He is a full-fledged pianist.

Mrs. Phan, who is fairly intense, says: "I want to provide my children with as varied types of knowledge as possible. Soon, I intend to have them study English. Life will not be easy, but I will work hard for them."

In the Yamaha music classrooms, keyboards are used in countries that are still not rich; in developing countries, electronic organs are used, and in relatively well-off countries, pianos will be used, so there is a distinction between the instrument used according to development.

That a music classroom is possible indicates an increase in the class which has generated some degree of leeway in its lifestyle. It is the birth of the so-called middle class which becomes the nucleus of growth.

Vietnam is still a poor nation. Because statistics are scant, the accuracy cannot be guaranteed, but according to the government, annual per capita income of its people is \$240 (approximately 24,000 yen). This is about the same as Bangladesh, which is at a level that classifies it among the most impoverished nations.

This is only reasonable. Japan is approaching its 50th year since the war, but Vietnam has passed through war and socialistic periods during those 50 years.

Now, however, under the name of renovation (doi moi), it is trying to break into market capitalism in one breath. If that happens, Vietnam's possibilities will be magnified at once.

It is said that its greatest asset is its people. It has a large population that numbers 72 million. It is the largest in Indochina. And it is said that its people are ingenious, hard-working, and of a high caliber.

There is no doubt that such an assessment is true. The literacy rate is in excess of 90 percent. On the street, one sees people reading newspapers and books with rapt attention.

They are also very punctual, invariably showing up for appointments at precisely the promised time.

According to Nissho Iwai, which is having a sewn products manufacturing plant in Ho Chi Minh City make sweaters, etc., on consignment and is having the same product made in China, the defect rate among finished goods made in Vietnam is dramatically less than for those made in China.

#### **Reform of State-Run Firms Is Late in Starting**

On a side street just off a lively thoroughfare in Ho Chi Minh City there is a state-run drink manufacturing plant.

In the back of the spot where empty bottles are stored in the open air, there is a building that looks like a warehouse where about 20 female employees are lined up. They dip out fruit juice with a cup and pour it into the bottle using a funnel. The bottles which are filled one-fifth full with fruit juice then ride down a conveyor belt where a woman adds water from a faucet.

Male employees then use a tool that operates on a lever principle with which they cap one bottle at a time. It is the job of the inspector to use a light to peer through the glass at the contents of the bottles.

Mr. Kiyoshi Shibata (64), technical adviser at Chukyo Coca Cola Bottling in Nagoya City; Mr. Mitsuo Tsukagoshi (55), director of Yamamura Glass; and Mr. Hiromichi Araki (51), manager of the Nagoya business office of Toyo Seikan, toured the plant.

Prior to their tour of the plant, the trio had a discussion with the managers of this state-operated firm. Mr. Shibata gave this address explaining the objective of his visit:

"As you are aware, Coca Cola, in conjunction with the U.S. lifting of economic sanctions in February, began production here. I did not come here to manufacture Coca Cola. Chukyo Coca Cola has its own beverages. I came to observe, thinking that the possibility exists that one among those could join up with Vietnam."

He then introduced the situation in which Japanese makers find themselves and the appeal of the Vietnamese market: "Toyo Seikan is the world's largest can manufacturer. Yamamura Glass is Japan's largest glass bottle maker. Neither of our three companies has set foot in Vietnam. According to what I hear, the annual per capita drink consumption in Vietnam is 3 liters, which is still extremely low. I think the market [potential] is significant. At the same time, due to the recent strong yen, Japanese drink makers are having to consider overseas manufacturing bases that will be producing for the Japanese market as well."

It was just after this that they took the plant tour. For eyes that were accustomed to seeing clean plants that are automated and that crank out products at a furious speed, it was a scene that inspired quite a culture shock.

After taking a breather that night, the three spoke together at the hotel.

According to Mr. Shibata's impressions, "To be sure, their technology is antiquated. But what was the situation in Japan 30 or 40 years ago? There is very little difference. I think that in 10 or 20 years they will probably catch up to where we are and even pass us."

"I was impressed by the fact that there is a hard-working and superior work force. However, I think the key is not to be too rash in expansion here. If the timing is too early there is the danger of giving it a try and then saying 'sayonara' because it's too difficult," was Mr. Tsukagoshi's feeling.

Mr. Araki's impression was that "they are even 10 years behind Thailand. However, I think this country will develop quickly. It has a freedom and liveliness that belies its being a socialist nation."

The three decided to return to their respective companies and report that "right now it has just entered the door of development but has significant future potential."

#### Currently Analogous to Japan's 1955 Era

Among those Japanese residing in Vietnam there are many who compare present-day Vietnam to the Japan of circa 1955.

The average salary of working Japanese in 1955 was, according to Labor Ministry statistics, about 18,000 yen per month. Converted according to the one dollar equals 360 yen rate of that time, that would be \$50, which is about the same as the present monthly salary level in Vietnam.

Japanese firms are prowling Asia in quest of an inexpensive but high-quality labor force. The manufacturing lines that had initially found this quality in such places as South Korea, Taiwan, Singapore, etc., moved, accompanying soaring wages, to such locations as Thailand and Malaysia, and today China has moved to the forefront.

Vietnam is certain to figure largely on this manufacturing map of Japanese firms at the beginning of the 21st century, and products labeled "Made in Vietnam" will likely flood into Japan.

When the Japan of 40 years ago and the Thailand of 10 years ago are superimposed, one feels that this will be the inevitable result.

#### Oil Firms Compete in Exploration

942A0411B Tokyo AERA in Japanese 20 Jun 94  
pp 10-11

[Article by editorial staff writers Kiyoshi Isshiki, Sakae Hanochi]

[Text] From Japan, Mitsubishi Oil, Arabian Oil, and others are participating in a competition for oil exploration. Whether the Vietnamese economy will be able to really take off depends on the resources sleeping at the ocean floor.

Far in the distant ocean shimmering with silver, one can see a flame. What appear to be black dots in the surrounding area are, without a doubt, tankers.

Twenty minutes have elapsed since taking off by helicopter from Vung Tau. The site became visible where oil development company Vietsovpetro, a joint venture between Vietnam and the Soviet Union, is digging out crude oil from oil fields on the ocean floor.

The craft abruptly tilted and landed onto the heliport aboard the oil probe vessel "Hakuryu [White Tiger] 5." The Japan-Vietnam Oil Company that was established chiefly by Mitsubishi Oil began prospecting on this ocean site 100 kilometers off southern Vietnam in April.

#### Resort Area Becomes Oil Boom Town

It is an approximately 45 minute helicopter trip from Vung Tau. The Japan-Vietnam Oil Company sends its helicopter on Wednesday and Friday of each week to carry cargo and to relieve people working at the site engaged in prospecting operations.

The Japan-Vietnam Oil Company is not the only one utilizing the Vung Tau heliport. Russia and Vietnam's Vietsovpetro, Australia's BHP, Britain's BP, Malaysia's Petronas, British and Dutch Shell use it as well as South Korea; and, recently, the United States side has shown up with Mobil and Occidental, which have just acquired mining concessions.

With people from other Asian nations supplying labor, the heliport is a place that gives a sampling of humankind.

The town of Vung Tau was a seaside summer resort area prized by the French who originally colonized the country. When one walks along the well-ordered block-style residential area behind the beach that had formerly been French summer villas, one can see the signs of oil development companies on the elegant white-walled houses. They read Shell, Petronas, Japan-Vietnam Oil.

At the disco at night, oilmen from various nations are attended by Vietnamese hostesses as they dance into a fury.

There is an atmosphere that permeates the city of Vung Tau that makes one think of the prospecting towns in the American West during the old gold rush days.

Until just recently, the only foreigners in this city were the Russians associated with Vietsovpetro. During the golden age there were 6,000 Russians, but now it is said there are about 2,000.

Geologic formations, etc., have revealed that oil has been buried in the sea off southern Vietnam for an extremely long time. It was during the Vietnam war that actual attempts at prospecting confirmed the existence of oil there. U.S. giant Mobil and British giant Shell prospected and in 1975 Mobil found oil and Shell found gas. Immediately afterward, however, Saigon fell, so both Mobil and Shell reluctantly withdrew, still holding data from their findings in their possession.

Subsequently, Vietnam joined with the Soviets to form Vietsovpetro and began production in 1986. Vietsovpetro currently produces 130,000 barrels daily.

However, due to the collapse of the Soviet Union, Vietsovpetro has been forced to scale down its plans and, except for the mining area where it is currently producing, has returned the majority of its mining concessions to the Vietnamese Government.

Aiming to acquire foreign capital with oil, the Vietnamese Government subdivided these areas and began to sell individual mining rights.

Mobil received tacit approval from the U.S. Government, which was still enforcing economic sanctions, and in 1993 joined with Nissho Iwai and others to bid on the Thanh Long [Blue Dragon] mining area, which was regarded as promising among the rest. It is said that the Vietnamese side was making arrangements to accept U.S. firms.

#### **Some Abandon Commercial Production or Even Withdraw**

Says Mr. William Darkin, manager of the Ho Chi Minh office of MJC Co., which was created by Mobil and Japan: "We have watched data on the Vietnam offshore situation for 19 years. Finally our hope has been realized. Because we have this data from long ago, I think it will be possible to begin prospecting very quickly."

It is not known how much oil lies in the area off southern Vietnam. In terms of the rest of Asia, most believe that the amount is slightly less than that of Malaysia.

However, no one has verified that. With the exception of the mining area where Vietsovpetro is producing, there are still no companies that have managed significant outflows of oil. In March, Canadian oil company Petro Canada withdrew because it was unable to produce enough for commercial purposes. Although the drilling areas of Sumitomo Corporation and Australian oil company BHP have made progress in prospecting that has yielded some oil, the quantity is described as being insufficient.

Foreign capital is vital for the economic development of Vietnam. With foreign capital, it will purchase foreign equipment, parts, and material with which it will manufacture products that have international competitiveness. Then it will acquire more foreign capital and

expand its production equipment and facilities. Foreign capital comes first in initiating this cycle.

The only export item with which it can readily acquire foreign capital is oil. And whether or not oil will really gush forth will be the determining factor in future development speed. These results should be known sometime between the fall of this year and next year.

#### **Vietnamese Return With Funds, Technology**

*942A0411C Tokyo AERA in Japanese 20 Jun pp 31-32*

[Article by editorial staff writers Kiyoshi Isshiki, Sakae Hanochi]

[Excerpt] [Passage omitted] Vietnamese who live abroad due to the Vietnam war or went overseas for other reasons are called "Ekkyo." In Vietnamese it is pronounced "Viet Kieu." It is said that 1.5 million live in various countries of the world, mainly the United States. There are quite a few Viet Kieu who display a natural diligence and dexterity in their adopted countries. While they still do not approach the wealth of Chinese businessmen living abroad, there are some individuals who have amassed a great deal of money.

In the past they have eased their minds of concern for their native country by sending funds to family members remaining in Vietnam.

Now those people have haltingly begun to return as advance parties to either start their own business or to expand an existing one.

#### **Using the Experience of Studying in Japan**

There is even a Viet Kieu in the resident representative's office of Honda Motor, which was established in Ho Chi Minh City in March. He is Mr. Fumitomi Suda (47).

Mr. Suda is a Vietnamese who was born in Saigon. In 1967 he went overseas to Toyo University to study mechanical engineering. Although he considered going to France to study, his father, who bought a Honda Supercab, recommended that he "go to Japan, where they are capable of making a product such as this," so he chose Japan.

Over the course of the six years it took to make his way to graduation, the war only worsened, so he was forced to forgo returning home. A professor in charge at the university arranged for him to work at Honda as a trainee.

During this training he married a Japanese woman. Then Saigon fell. He applied for Japanese naturalization and was approved. He changed his name from his Vietnamese name Nguyen Van Phu to his wife's surname and applied the Japanese pronunciation to his first name, Van Phu. He was formally hired by Honda.

Judging from the situation in Vietnam at that time he never even dreamed that he would be able to work in Vietnam again. While working assiduously at his job at

Honda in overseas operations, he was told by the company to cultivate the Vietnamese market in April 1993.

Honda had looked ahead of the lifting of U.S. economic sanctions and had begun to think about formal exportation of motorcycles and construction of a motorcycle assembly plant.

No one was better as an advance team than Mr. Suda.

He decided to soon bring over his wife and daughter who said they "want to try living in daddy's country" and his feeling was that "I want pour all my energy into this for Honda, myself, and Vietnam."

We introduce another individual. Currently, among the Japanese trading companies jockeying for space, the one that has taken the initiative and invested the most funds and manpower is Nissho Iwai. Mr. Ichiro Matsuda, manager of its Hanoi office was born and raised in Vietnam.

His father came to Vietnam as an army physician during World War II when Japan occupied Vietnam. There, he married a Vietnamese woman and remained in Hanoi even after defeat. Mr. Matsuda was born in Hanoi in 1946.

Mr. Matsuda and his family returned to Japan in 1962 on the last ship to withdraw. He was 16 at the time.

Able to speak only Vietnamese, he had to start from the very beginning in learning Japanese.

He was employed by Nichietsu Boekikai which managed trade between Japan and Vietnam. There, he was involved in importation of coal, called Hongai coal, which was the Japan's biggest import item at the time.

He was discovered by Nissho Iwai in 1986. In that same year, Nissho Iwai had opened the first resident representative office in Vietnam among the major trading companies and was attempting to get its business there in full swing.

Mr. Matsuda's circle of acquaintances was enough to astound the resident representatives of other trading companies. Mr. Matsuda even has the reputation of being able to readily arrange meetings with prominent members of the government by request.

"Being able to quickly achieve mutual understanding with the Vietnamese is probably due to their being put at ease by my intimate knowledge of their country."

#### Cold Eyes That Say "You Abandoned Your Country"

Although Mr. Matsuda could not accurately be called a "Viet Kieu," his feeling of wanting to "contribute to Vietnam's development" is in line with a Viet Kieu.

However, one does not get the feeling that "Viet Kieus" like himself are all rushing to return to their home country.

Says Mr. Matsuda: "Many Viet Kieus have the desire to work for their fatherland, but a lot of people are having a struggle with their own lives. It is probably difficult for them to resolve to return to Vietnam where there still is little work and the standard of living is low."

Another Viet Kieu offered a different reason: "From the perspective of a person from the North, they [Viet Kieus] are viewed as people who have abandoned their country. So even though there is a lot of talk about opening up economically, people's feelings have still not matured to the point that they can welcome those people with open arms."

There is no doubt that the money, technology and ideas of the Viet Kieus is going to be supporting the future development of the country, but it appears that that support will be slow in coming.

#### Honda Monopolizes Motorcycle Market

942A0411D Tokyo AERA in Japanese 20 Jun 94 p 34

[Article by editorial staff writers Kiyoshi Isshiki, Sakae Hanochi]

[Text] Amazingly, one Japanese maker practically monopolizes a nation's market. The "synonym" for motorcycles is testimony to both nations' postwar history.

Everyone who visits Ho Chi Minh City for the first time is surprised by the flood of motorcycles. Shortly thereafter one is also surprised to find that most of them are made by Honda (Honda Motor Co., Ltd.).

In Vietnam, motorcycles are referred to as "Honda." On the rare occasion that a person tries to buy another maker's motorcycle, he invariably tells the salesperson, "I would like a Yamaha Honda, please."

There is an old bridge with a signboard that reads "Do not cross on Honda." This means "Do not cross on motorcycle." When one sees a sign that reads "Honda repair" on the street it means motorcycle repairman.

#### Beginning Exports 30 Years Ago

It is not known for certain how many motorcycles there are, but estimates by Honda Motor Company suggest that the population of 72 million people of the whole country may have approximately 2.2 million units, and, just limited to the roughly 6 million person population of Ho Chi Minh City, it is thought that there are about 1 million units. Among those, about 95 percent are Hondas.

At the end of October 1993, when Mr. Yoshihisa Takase, manager of Honda's Ho Chi Minh City office, visited for the first time, his thought in the car headed from the airport to Ho Chi Minh City was that "this is a terrible thing that has happened."

Regardless of the country, the resident office manager's job is to increase Honda's market share.

He thought that "at this rate, no matter hard I might try, it will be all I can do just to maintain share."

An explanation of Honda's abnormally high share necessitates going back to prewar Vietnam.

Honda began exports of motorcycles to Vietnam in 1965.

Until that time people rode French-made motorcycles called Mopeds. Then, the Supercab, which, at that time, was at the forefront of the era, became the vehicle of choice.

It was only natural that two or three people would ride on motorcycles, which would also be laden with cargo of various descriptions. The Supercab, with its four-cylinder engine, had power. That being the case, it was convenient for women to ride as well.

Amid the continuing Vietnam war, Honda sold 700,000 units by 1970 mainly in South Vietnam, and conquered the market.

Accompanying the intensification of the war, business became difficult and Honda withdrew in 1972.

However, Honda, having once obtained recognition as being good, continued to propagate itself in the Vietnamese market without having to sell directly.

Used vehicles were imported from Japan—importation that included the smuggling of new and used vehicles from Thailand and Indonesia, Thailand, China, etc. The Supercab even now is the top brand.

#### Aiming To Maintain Share in Future as Well

Even so, it has lately been trying and worrisome for Honda to quietly watch this enticing market.

In 1987 it had once agreed with the Vietnamese side to perform assembly production locally. However, that was viewed by the U.S. Congress, which was still executing economic sanctions, as a problem, so Honda withdrew its plans. After all, the United States, which is the world's largest automobile market, was most important.

Along with the passage of time, the significance that Honda holds for the Vietnamese people has also changed. Its value as an asset has come to be more important.

Even though it is a nation with a per capita annual income of \$240 (approximately 24,000 yen), a new 70cc Supercab will sell for more than \$2,000, and even a used one sells for more than \$1,000.

Due to the bitter experience of war and inflation, the people hardly deposit money in banks at all. Once they accumulate money, they trade it for things.

One of those things would be gold, the other a Honda. That is because a used Honda will circulate without significant depreciation.

Due to the lifting of economic sanctions by the United States, Honda will begin construction of its assembly plant after making thorough preparations. Although its joint-venture partner and manufacturing location have not yet been determined, within two to three years the largest motorcycle plant in Vietnam with an annual production capacity of 30,000 units should be completed with an investment of 10 billion yen.

Along with economic growth, the number of units owned will increase further. Mr. Takase reveals his true feelings, saying, "I am afraid of the time when Vietnamese people might begin to think that perhaps motorcycles of other makers have about the same performance."

However, it still does not seem even remotely likely that any Vietnamese people will be screaming that the "emperor has no clothes" to Honda, which has such an exceedingly deep grip on the Vietnamese market.

#### Foreign Firms Vie for Market Share

942A0411E Tokyo AERA in Japanese 20 Jun p 36

[Article by editorial staff writers Kiyoshi Isshiki, Sakae Hanochi]

[Text] South Korea's decision was quick. the United States has formed a commercial association. Each nation's ultimate objectives are jumbled with respect to the attraction of an untouched market.

The Hanoi sky is broad. There are no high buildings to obstruct one's view. No matter from where one gazes upward, the sky is wide.

In the streets of Hanoi a 20-story twin-tower building is nearing completion. One tower is a 411-room hotel and the other will be an intelligent building with an office and 193 apartments. On the sign that stands in front of the site where basic construction is progressing, there is a modern conceptual drawing of how it will appear after completion and, in big letters, the words Daeha Business Center Project. Daeha is the name of a joint venture company between South Korea's financial combine Daewoo Group and Vietnam's state-run electronics maker Haneru.

#### Capital From Chinese Businessmen Living Abroad Is Top

When one heads from Hanoi toward the Hai Phong area, one again encounters the name of Daewoo. It is the construction site of a picture tube plant that is a joint venture of the Daewoo Group and Haneru. With the production capacity to make 4 million color units and 1.2 million black and white units annually, it is an investment account of the highest order at an investment of \$170 million (approximately 17 billion yen).

Further, construction will begin on an automobile assembly plant which will become the third automobile plant in Vietnam.

In many Southeast Asian nations such as Thailand and Malaysia, Japanese firms are already being firmly controlled. On that point, Vietnam has just begun its policy of openness, so it is one of the few markets where South Korean firms were able to get the jump on Japanese firms. A government-related individual who also recognizes the quick expansion of South Korean firms, says, "South Koreans, in contrast with Japanese firms, are quick to make decisions."

In January, at the time of this writing, a ranking of each nation in order of accumulated investment amount would indicate that the top countries are Taiwan, Hong Kong, France, South Korea, Australia, and Japan.

As for investment by Taiwan and Hong Kong, most is comprised of investment capital of fellow Chinese businessmen living abroad. As for France, it is using its advantageous position as the former suzerain state. As a nation that has relations or ties, South Korean investment enjoys top position.

In the future, the United States will be added to this. Having lifted economic sanctions on 3 February, Coca Cola and Pepsi distributed colas on the streets in Ho Chi Minh City. They then immediately engaged in well-prepared production.

In Hanoi, the U.S. Hanoi Commerce and Industry Association was completed on 6 May. Members will be 60 U.S. firms that will place resident representative offices in Hanoi. That means that this many firms came together in the short space of three months since the removal of economic sanctions.

#### **U.S. Firms Have Separate Aim**

However, few people subscribe to the view that U.S. firms will become direct rivals of Japan, South Korea, and others.

The aim of U.S. firms is to improve infrastructure, such as building roads and harbors, etc., as well as to sell aircraft, computers, communications facilities, etc., which are its specialties. Also, it seeks to develop oil.

The central approach is toward the Vietnamese market itself and its resources, and does not contain the sense of using Vietnam as an export processing base using cheap labor as is the case with Japan and South Korea.

the United States has a point to its advantage. The products it took to South Vietnam during the Vietnam war, such as electric generators, etc., are still in use, as is its information on it gulf, etc. The government is even politically receptive to U.S. firms.

Predicts Ambassador to Vietnam Kazuo: "The United States moves rapidly once it gets its engines started." The scramble for the Vietnamese market will heat up from this point on.

#### **Rice Exports to Japan Planned**

942A0411F Tokyo AERA in Japanese 20 Jun 94 p 38

[Article by editorial staff writers Kiyoshi Isshiki, Sakae Hanochi]

[Text] Experimental farms instructing on Japanese-style rice crops are showing favorable results and the Vietnamese Government is looking eagerly at Japan.

An elderly woman with her teeth dyed black came this way on the footpath between the rice fields.

She says, "This rice is real good. It is growing compactly and the grains are large too. Because it is short it doesn't easily fall over in a wind." She smiles broadly, clearly revealing her black teeth.

This rice field is located approximately 30 kilometers east of Hanoi in Miban Prefecture in Haifang Province. It is an experimental farm being assisted by a Mitsubishi Corporation-affiliated trading company, Meiwa Sangyo, which is cooperating by providing such things as Kubota farm machines, etc., and it is here that instruction is being given on the Japanese style of rice cultivation.

The experiment began in 1992. Two periods of cultivation are done in spring and autumn on a four-hectare rice field.

#### **Yield Doubles With Japanese-Style Cultivation**

Although it is called Japanese-style cultivation, it is not Japanese rice that is being cultivated.

Japanese rice was planted one time only, but it did not fare well. With the exception of that time, a long-grain type has been grown which is cultivated in Vietnam.

However, Japanese technology has been integrated. For instance, the seedlings that are used for planting are the ones from which only two shoots have appeared. In Vietnam, generally seedlings that have been cultivated to have about seven shoots are being used. When they use the Japanese-style of water control, even the young seedlings will take root.

In addition, they freely use such tools as cultivators, rice planting machines, combines, etc. In this way, the yield per hectare was six tons—as much as twice that of neighboring rice fields.

Agricultural instructors and farmers from every region are visiting this farm to learn about Japanese-style cultivations methods.

Why are Meiwa Sangyo and Kubota participating in this farm in Vietnam? Currently, the pretext of technical cooperation with Vietnam is the ostensible reason, but there is also the expectation of business prospects.

They are looking ahead to the possibility of Japan embarking on liberalization of rice imports in the future and the possibility of this becoming a rice export base to Japan.

Says Showa Sangyo's top resident representative in Hanoi, Mr. Kozo Yamashita: "We are hoping that eventually the day will come when Japan will buy Vietnamese rice."

Vietnam changed from a rice-importing country to a rice-exporting country around 1989. The New Agricultural Policy enacted in 1989 divided formerly state-owned agricultural land to farmers and made it possible for farmers to freely sell the rice they harvest. The quantity of rice harvested instantly increased at a rapid pace.

The harvest quantity in 1993 was 22.3 million tons (unhulled conversion), which was an increase of twice times the amount just after the end of the Vietnam war in 1976.

In 1989, 1.4 million tons of rice were exported. In 1993, 1.9 million tons were exported and it became the world third ranked rice exporting country. Its appeal was that it is even cheaper than Thailand's rice, which is already one-tenth the price of rice in Japan.

#### **Japan Negative About Importation**

Even this year it is planning to export about the same amount. In May, the United States was one of the first to buy, 60 tons worth, just after the economic sanctions were lifted.

However, it is not as though it is able to satisfy its population of 72 million people and still be able to export. According to the Ministry of Agricultural and Food Industry, the necessary amount of grain per year for the populace is 400 kilograms per capita. Now, however, it is only 300 kilograms. That it is exporting despite that fact is due to the desire for foreign capital.

We are told that the following four reasons account for Japan not purchasing Vietnamese rice at present:

First, it is the long-grain type, not the short-grain type favored by Japanese. Second, there is insufficient infrastructure, such as harbors, roads, and inspection systems. Third, there is concern about the effect of defoliants used during the Vietnam war. Fourth, the current trade situation is such that Japan is exporting too much and Japan cannot use this as a means of reducing its trade surplus.

However, if one thinks about it, a lot of these conditions will be solved by the passage of time.

Long-grained rice can be used for processing and the situation with the infrastructure is that progress in improvement appears likely to be rapid.

There is almost no defoliant remaining in the earth in the southern section, according to results of a U.S. investigation and this is not even applicable to the north.

As for the balance of trade, there is a good possibility that Japan will eventually generate an export surplus if investment by Japanese firms in Vietnam increases.

Says Nguyen Tuan Lan, assistant bureau chief of the Ministry of Agriculture and Food Industry International Cooperation Bureau: "Vietnam is always desirous of

exporting rice to Japan. However, the Japanese Government simply cannot make a decision. This is just a proposal, but how would it be if Japan buys Vietnamese rice and provides assistance to other developing nations?"

Vietnam is gazing with anticipation at Japan.

#### **JAIDO, Saudi Arabia Form Pharmaceutical Tie-Up**

*942A0520A Tokyo NIKKEI SANGYO SHIMBUN in Japanese 27 Jul 94 p 19*

[By Yukinari Mori]

[Text] A pharmaceutical joint venture enterprise is starting in Saudi Arabia. It has been three years since the pharmaceutical industry began a study. Sankyo, Yamanouchi Pharmaceutical, the Japan International Development Organization (JAIDO), and Marubeni have finally decided to establish a joint venture company with a Saudi wholesale pharmaceuticals company. However, Saudi Arabia has a strong desire that the first step of the enterprise be "investment expansion with a stable supply of oil as collateral." Insofar as it has a strong coloring of economic cooperation, the future of the joint venture is unclear.

In April this year, Keidanren chairman (at the time) Gaishi Hiraiwa visited Saudi Arabia and met with the king and cabinet members. Then, as soon as he returned to Japan, he visited Shigeo Morioka, chairman of the Japan Pharmaceutical Industry Association (at the time, chairman of Yamanouchi Pharmaceutical) at Yamanouchi headquarters in Nihonbashi-Honcho, Tokyo, and, along with reporting the strong expectations of Saudi Arabia for a pharmaceutical joint venture, requested a quick decision on a business participation plan. The personal "request" by the prime minister of the business world bespoke that the nature of the Saudi Arabian pharmaceutical joint-venture enterprise was not on a pure business basis.

The origin of this joint-venture enterprise goes back to 1988. That year, in a joint conference of Japanese and Saudi private enterprises, the promotion of Saudi joint-venture investment by Japanese firms was a discussion topic and a pharmaceutical joint venture was brought up as one of them.

In 1992, the Pharmaceutical Association recruited participating firms for a feasibility study (FS). The seven companies of Sankyo, Yamanouchi, Takeda Chemical Industries, Eisai, Shionogi, Santen Pharmaceutical, and Nippon Shinyaku participated, executing an on-site feasibility study in April. As a result, four companies withdrew. In addition, the three remaining companies of Sankyo, Yamanouchi, and Santen conducted a second feasibility study in September of the same year and this time, Santen dropped out. At that time, it took the form of Sankyo and Yamanouchi remaining. The five companies that withdrew cited the reasons that "It will be

difficult in capital terms," and "We are already selling products in Saudi Arabia through an agent."

After that, a stalemate situation continued. In the meantime, according to an informed source, Sankyo and Yamanouchi also informally sounded out JAIDO about withdrawing. Disconcerted, JAIDO implored them, "Wait on your final decision," and the situation of hanging by a single thread continued. The situation began to change at the beginning of this year. In March, the health vice minister of Saudi Arabia came to Japan, toured the Tsukuba Research Center of Sankyo and Yamanouchi, and personally requested cooperation.

Of course, as they say, "We will not do charity work; the final decision was made strictly on a business basis" (head of Yamanouchi Pharmaceutical). Ultimately, both Sankyo and Yamanouchi decided to participate, judging that "it will succeed as a business." However, pressure was strong from the Japanese Government and Keidanren to realize a joint venture company by any means in order to ensure a stable supply of oil from Saudi Arabia.

In the plan, the capital for the joint-venture company is \$20 million dollars, and Tamar, a private wholesale pharmaceutical company of Saudi Arabia, will invest 51 percent, and four Japanese companies will invest 49 percent. Of that, 15 percent is by Sankyo and Yamanouchi, about 300 million yen each. The total project cost is 5 billion yen, and they will build a plant with annual production capacity of 50 million units respectively for tablets and capsules, operation scheduled in fiscal 1996.

According to an informed source, pharmaceuticals that are produced locally by the joint-venture company will have preference in government bidding even though prices are higher than imported goods. Moreover, the Saudis have announced special privileges such as pharmaceuticals that are approved in Japan will be approved automatically for the most part. As a problem point, on the other hand, local doctors receive their education in the United States and Europe, the majority of the pharmaceuticals are those by U.S. and European manufacturers, and it is pointed out that "Japanese pharmaceuticals are not considered by local doctors and this is the greatest difficulty."

Moreover, overseas sales rights for the mainstay products of both companies, such as Sankyo's "Mevalotin" drug for treatment of high blood cholesterol and Yamanouchi's "Gastar" anti-ulcer medicine, have been granted to major U.S. and European pharmaceutical companies and cannot be handled by the Saudi joint venture. There is a bias and limit to the product makeup of the joint-venture company just in the products of Sankyo and Yamanouchi.

The Saudi pharmaceutical joint venture has started regardless of the mounting issues. There are various other proposals such as a copper smelting enterprise and processed food enterprise for joint-venture investment

with Saudi Arabia that JAIDO is promoting, but the pharmaceutical joint venture is number one. For that reason, not only the pharmaceutical industry, but also the Japanese Government and economic world are closely observing the direction of the pharmaceutical joint venture as to whether it can reach a green oasis or exhaust itself in the scorching heat of the desert.

**Fujitsu Building New Assembly Plant in Malaysia**  
*942A0524A Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Jul 94 p 10*

[Text] Fujitsu will build a new plant for semiconductor assembly in Malaysia in 1995. It will handle postprocessing assembly, which finishes the final product, such as cutting off the chips from the silicon wafer imported from plants in Japan and the United States and Great Britain and covering them with a resin package. The amount of investment will be 10 billion yen; it aims for operation in 1996. It is a link in working out a policy to increase the overseas assembly ratio in order to deal with the high yen. By operation of the Malaysia plant, it will boost the ratio from the current 20 percent to 35 percent.

The new plant will be built adjacent to Fujitsu's assembly plant in Malaysia called Fujitsu Microelectronics.

The targeted semiconductors are the 1-megabit and 4-megabit DRAM [dynamic random-access memory]. Fujitsu plans to begin production of 16-megabit DRAM in Britain starting next year, but final assembly will be assigned to Malaysia. The number processed monthly is scheduled to be a little less than 7 million. The assembly capacity in Malaysia combining both the old and new plants will double to 14 million. In any case, complicated pre-processing work, such as burning the circuit on the wafer will be done in the Japanese, U.S., and British plants.

Fujitsu has semiconductor assembly plants in Singapore and Ireland. The number of units assembled monthly overseas is 10 million, but 70 percent of that is processed in Malaysia.

The decision to build a new plant in Malaysia was because of the vigorous demand for semiconductors worldwide and a great need to expand production facilities. The company has raised by 10 billion yen its initial estimate on semiconductor production in fiscal 1994 from 425 billion yen.

In addition to Fujitsu, Toshiba is increasing by 50 percent over current assembly of semiconductors for home appliances in Malaysia. NEC also has been active in expanding production facilities in Asia such as moving forward its buildup of facilities in Singapore.

**MITI To Develop 'Vision' for Industries**  
*OWI108014594 Tokyo SANKEI SHIMBUN in Japanese 9 Aug 94 Morning Edition p 3*

[Text] The Ministry of International Trade and Industry [MITI] has decided to formulate by 2000, a mid-term

"vision for the industrial future" dealing with such major manufacturing industries as electronics, automobiles, and computers. This decision stems from the judgment that Japan's leading industries are losing their competitiveness due to drastic changes in the economic environment such as the yen's sharp appreciation. MITI will conduct a comparative study on the international competitiveness of Japanese and American companies in each industrial area. Based on this data, it will work out the vision as early as the end of 1994, following exchanges of views with officials of related industries.

Among the industries to be included in this vision are: the electric and electronic industry including semiconductors, computers, and household appliances; the automobile and auto parts industry; the machineries industry; and the aircraft industry. A MITI official said "it will also discuss specific issues," suggesting, for instance, which industrial areas need more plant and equipment investments and when the investments should be made.

MITI has decided to formulate this vision because industrial circles, stung by the yen's appreciation, have become uneasy about their future, and because it has become difficult to make predictions on demand and supply situations.

Only until a couple of years ago, Japanese semiconductor makers held overwhelmingly dominant shares in the international market. But in 1993, the United States beat Japan for the first time in eight years, winning 41.9 percent against 41.4 percent for the latter in international market shares. Even in the automobile sector, while U.S. auto makers are making a rapid recovery, Japanese makers are stumbling. Although many believe Japan is still more competitive than the U.S. in the auto industry, the U.S. auto industry's speed in catching up is said to be remarkable.

Japan's overall manufacturing productivity is internationally competitive in the area of actual work-site operations, but the industries face major issues in the question of how they can improve productivity in management areas. MITI wants to present specific measures to deal with such issues as well.

MITI expressed concern about Japan's falling industrial competitiveness, saying: "Japan has begun to fall behind the United States in actions for the forthcoming information age and in white-collar workers' productivity. Japan's competitive power, which we had thought was strong, has in fact weakened."

#### **High Yen Driving Long-Term Rates Up**

942A0537A Tokyo NIKKEI KINYU SHIMBUN in  
Japanese 4 Aug 94 p 1

[Article in "Angle" column by Tokyo Economics Department reporter Yoichi Takita]

[Text] Ever since the value of the yen broke past the 100 yen to the dollar mark, long-term interest rates have intensified their upward pace. The perception that the Bank of Japan [BOJ] stance on relaxing the money supply will weaken because the lull in the rising yen has caused bond prices to drop. That it is difficult to visualize an acceleration in long-term interest rate increases in the throes of lingering demand for capital, is a comment heard uniformly among institutional investors. Moreover, structural weakness among investors prevents them from aggressive purchases as bond prices head lower. There are no market participants who are willing to assume an aggressive buying role in the markets, making it difficult to stem the rise in interest rates.

Since spring of this year, most city banks have called on the life insurance companies to arrange loans to banks, with the comment, "The banks will borrow your funds, because you must be having problems locating borrowers."

Bond interest rates are rising in anticipation of a recovery in the domestic economy, but private-sector demand for money is very low. Insurance companies faced with a decline in business loans have no choice in many cases but to opt for 10-year, long-term loans to banks at the current long-term prime rate of 4.4 percent.

According to a financial planning officer at a midsized life insurance company, loans to banks reflect "a situation in which life insurance company professional investors are unable to find borrowers, abandon their roles as professionals, and deposit their money in a bank." Long-term trust banks plan on increasing long-term prime rates by 0.2 to 0.3 percent in August, but according to Hideto Tago of the Tokyo branch of National Westminster Bank, "Such a move would disregard the lack of demand for funds in the loan markets."

The correction in the high yen and rise in Japanese long-term interest rates reflect changes in the investment climate of Japanese and U.S. bond markets. The direct cause was the lower-than-expected real growth in the United States from April to June and a calming of inflation fears in its markets. Instability in the U.S. bond and stock markets have been calmed and U.S. mutual funds are in the process of buying back dollars.

In contrast, the domestic bond market has assumed a declining trend based on speculation that foreign investors are disposing yen-denominated bonds. Information has circulated in foreign exchange markets that "Middle Easterners have sold government bonds and are transferring funds to U.S. Government bonds," which in turn has encouraged the selling of yen. As a result, as the excessively high value of the yen at two-digit levels was corrected, an unfavorable cycle has been imposed in which bond prices are adversely affected because of rising long-term interest rates.

Correction of the high yen has also had a subtle effect on BOJ adjustments in the money markets. Fearing that the

strong yen will adversely affect export industries and slow the economic recovery, the BOJ has assumed a clear-cut financial easing posture. However, just as the strong yen trend eased, it suspended adjustments to encourage declines in the noncollateralized next-day call rate, which is the object of BOJ guidance.

In the short-term financial markets on 3 August, the noncollateralized next-day call rate which is the object of BOJ guidance rose to about 2.15 percent, the highest rate registered since early May. The bond markets have reacted somewhat excessively to the BOJ adjustment action.

It is questionable whether changes of this nature in Japanese and U.S. market environment will continue. A look at the high factory utilization rates in the United States would indicate that inflation fears cannot be completely discounted and there is not enough evidence to provide assurance that U.S. financial markets will stabilize without further complications.

Long-term interest rates between Japan and the United States differ by almost 3 percent, but institutional investors such as insurance companies are still cautious about investing in foreign bonds because of the risk that U.S. Government bond prices will decline. It is difficult to visualize a situation in which the outflow of capital from Japan will accelerate a weak yen, strong dollar scenario.

However, institutional investors who have become excessively sensitive to the risk of paper losses on stock investments cannot be expected to support bond prices in a declining phase. An atmosphere seems to be in the making in which Japanese investors have lost their capability to act as "active investors" and aggressive selling of bonds by foreign investors and concurrent selling of yen may become difficult to stop.

**Project Team Convenes To Deal With Strong Yen**  
**942A0538A Tokyo NIHON KEIZAI SHIMBUN in**  
**Japanese 5 Aug 94 p 1**

[Text]

**Policy Delays and Stalemated Reforms—Implement Domestic Demand Expansion Policies and Deregulate**

On the morning of 2 August, members of the Coalition Parties Economic Countermeasures Project Team met in the conference room of the House of Representatives Building. The topic was strong yen countermeasures.

Attendees such as team chairman Shigeru Goto, chairman of the Social Democratic Party of Japan's Commerce and Industry Committee, and Liberal Democratic Party [LDP] Representative Michio Ochi posed a variety of questions such as, "Aren't there any measures we can take to restrain the speculative movements in the foreign exchange markets?" and "Why don't we lodge a strong request for the United States to raise its interest rates?" The discussions lasted for two hours, but in the

end, the meeting did not go beyond the scope of a study group and development of concrete measures was postponed to the next and subsequent meetings.

As the lack of policy guidance from the government and ruling parties continues, the sharp rise in the yen is darkening the mood of businessmen. In a survey implemented by the Ministry of International Trade and Industry in early July among small and medium businesses throughout the country on the impact of the strong yen, half of the businesses replied, "We have already begun to feel the impact."

Aisu Electric of Moriguchi-shi, Osaka, a maker of transformers supplied to major electrical equipment manufacturers, has been hit by stepped-up demands for price cuts. The company is taking such measures as shortening order and delivery times to secure continuing orders, but if current trends continue, there is the risk that future orders will be diverted to cheaper competing foreign-made products. Yoshinobu Aisu appeals for action in which, "The government takes early action to weaken the strong yen."

The government and ruling parties have probably been slow in reacting to the strong yen, because the extremely hot weather and income tax cut have stimulated the near-term economic trend and obscured the impact of the strong yen. July's supermarket revenue has been good because of sales of summer merchandise and is expected to exceed the comparable period for the prior year for the first time in 23 months. Daisaku Ogihara, public relations officer of Sharp Corporation, said, "We were blessed by the two events of exceedingly hot weather and a tax cut," in commenting on sales of air conditioners in the home appliance area during July which doubled that of last year when cool weather cut into sales of that item.

In its summer 1994 situation assessment published on 20 July, the Bank of Japan [BOJ] expressed the bold view that "the economy is trending towards recovery," despite the lingering two-digit-level value of the yen. In contrast to last year, the recovery in consumption has been accompanied by steady progress in inventory adjustment at businesses, while the breadth of the increased valuation of the yen was proportionately smaller than last year, when it dropped from 120 yen to close to 100 yen, leading to the assessment that the "effects of the strong yen are minor." The option still exists to lower the official discount rate to stem the strong yen trend, but the Bank of Japan is still not in favor of the idea.

Even the Economic Planning Agency recognizes that the economy is improving in comparison with last summer. But it has yet to issue the assessment that we are in an improving economic phase. This is because it had issued an early "declaration of bottoming of the economy" in June 1993 only to see it would be in error because of the impact of the strong yen. Administrative Vice Minister for the Economic Planning Agency Tanaka is thoroughly

cautious in saying, "We learned lessons from last year's mistake in that we had underestimated the effects of a strong yen. We would like to ascertain businessmen's psychology and export trends before we announce our next assessment."

For the BOJ, uncertain aspects still exist in terms of what it considers a sustained recovery potential for consumption. According to the household budget survey by the Management and Coordination Agency, individual household consumption expenditures fell below prior year levels for four months in a row from February through May. Managing Director Koji Murayama of the Nissei Basic Research Center and director of its Economic Research Department states, "There is the possibility that consumption will weaken once more after fall," once the temporary effects of the extremely hot weather and tax cut are lost, because the basic trend in consumption is still weak owing to the slowing growth in income.

Capital investments by businesses which serve as a precondition for full-scale economic recovery is still in the doldrums. According to the corporate business trend survey conducted by the Economic Planning Agency on 1 June, industry-wide capital investments in the July-September quarter will drop 2.8 percent from the same quarter of the previous year, and the outlook for the October-December quarter is for a 3.2-percent decline.

Since the survey, the yen's value versus the dollar broke through the 100-yen mark, but officials of the Economic Planning Agency say, "There is the risk that the impact of the strong yen may cause a further downward revision in domestic corporate investment plans." If consumer spending, public works investments, and housing investments slow and capital investment recovery is delayed, there is still the risk that the economy will slow again like it did last year.

The industrial world is increasingly seeking action by the government to prevent near-term strength in the yen as well as action to provide medium- and long-term stability of foreign exchange rates. At an economic conference held with principal industry leaders in the middle of July by the Economic Planning Agency, much discontent was voiced in words such as, "How much longer must we deal with the vicious cycle created by the strong yen."

Kyoto University Professor Kazumitsu Sawa indicates, "Unless the huge balance of payments surplus underpinning the strong yen is reduced, the strong yen pressure in foreign currency markets will not dissipate." He stresses that rather than clever exchange stabilization measures, the shortest route to stabilizing the yen, though circuitous in appearance, are actions associated with deregulation and expansion of domestic demand to reform the Japanese economic structure.

Director General Takamura of the Economic Planning Agency announced at his first press conference after he

took office, "The new government will deal with deregulation and elimination of domestic-foreign price differences with a more serious approach than the last government." More than a month has passed since that public commitment. We see no concrete evidence of the new government's deregulation or domestic-foreign price differential elimination action plan. Even the idea of reviewing the 430 trillion yen basic public works program designed to stimulate domestic demand has been gathering dust on the shelf.

Speculative movements in the foreign exchange markets at times attack the lack of policy. The strong yen this time around is no exception. Although the saving grace for the moment is the current pick up in the economy, unless early action is taken on structural issues such as domestic-foreign price differentials, distortions in the Japanese economy will continue to manifest themselves repeatedly, even if foreign exchange rates should stabilize temporarily.

#### **Editorial on Foreign-Domestic Price Differences**

942A0528A Tokyo *YOMIURI SHIMBUN* in Japanese  
31 Jul 94 p 3

[Editorial: "Quickly Correcting Domestic-Foreign Price Differences"]

[Text] A discount store specializing in foreign brand-name merchandise has opened in the business district of Ote-machi, Tokyo. During its three-day opening sales period, a total of 18,000 customers created pandemonium crowding into its 500 square meters of floor space. Stock replenishment could not keep up with sales and the store closed earlier than scheduled on the third day.

The move toward price reductions by discount stores and leading supermarkets which were initiated by the collapse of the bubble and the lingering recession has met with enthusiastic support from consumers in areas like Tokyo, and has spread rapidly from domestic appliances to shoes, foreign liquor, and beer.

Notwithstanding, such price reductions are still limited and Japan's price levels are on the average still higher than in Europe and the United States. In fact, the sharp rise in the value of the yen since last year has expanded the domestic-foreign price differentials.

According to a report on domestic-foreign price differentials compiled by the Research Committee of the Price Stabilization Policy Council, an advisory organ of the prime minister, a comparison of average retail prices between Tokyo and New York for last year shows that Tokyo prices were 1.5 times higher for women's suits; about twice as high for imported beef, rice, and chocolate; nearly three times higher for gasoline; and more than five times higher for lipstick.

Construction costs for single-unit wooden homes were about two times higher.

The government has dealt with the correction of price differentials through measures such as deregulation, but has not met with sufficient progress. It must make increased efforts at realizing the positive effects of a stronger yen and take more specific, broader measures so that the public will actually enjoy the benefits of affluence.

The Price Stabilization Policy Council is responding to such social demand by establishing a special committee to study ways to correct domestic-foreign price differentials. We hope that it will make rapid progress toward the submission of effective recommendations.

An outstanding issue in comparison to Europe and the United States is that price differentials are especially large in the area of apparel, food, and housing. The report mentioned earlier in this article points out that such price differentials are caused by regulations to restrict competition and maintain higher price levels and by import restrictions and trade practices that obstruct efficient management in the agricultural, food processing, and apparel industries.

As measures to remove the causes of price differentials, the report further proposes for consideration the encouragement of new competition, relaxation of price regulation, promotion of price competition through changes in trade practices, expansion of imports of finished products and materials, effective use of land, reductions in distribution costs, and establishment of an environment in which consumers can make rational selections.

These are all very logical measures which have previously been proposed and considered by the various ministries and agencies, but hardly any progress has been made on the majority of them.

We would hope that the Price Stabilization Policy Council will provide thorough consideration to the problems to be encountered in the implementation of the recommendations and formulate plans that will ensure their feasibility. It would appear that one way to achieve such a goal would be to set a numerical target of halving price differentials within a certain time frame.

The Murayama cabinet's participation is crucially important for achieving the elimination of domestic-foreign price differentials. Measures to reach the objectives of this program must not be impaired by the construction of remedies only as a formality and by resistance from interested industries and concerned ministries and agencies. The prime minister must back up his keynote address in which he referred to "government representing the perspective of the consumer" by real actions.

#### Finance Minister Interviewed on Economy, Elections

OW1008184694

[Editorial Report] Tokyo Asahi Newstar Television Network in Japanese at 1143 GMT on 7 August, in its

100-minute "Sunday Project" talk show, which begins at 1100 GMT, carries a live 33-minute interview with Sakigake [Harbinger Party] head and Finance Minister Masayoshi Takemura. The interview is conducted by free-lance commentator Soichiro Tahara from the Asahi studio in Tokyo via remote hook-up with Takemura in Otsu city, Shiga Prefecture. Shinsuke Shimada and Kayoko Miyata are general co-hosts of the talk show. Free-lance political commentators Minoru Morita and Yoichi Masuzoe also join the program.

Tahara and Takemura first discuss Sakigake's activities in the former coalition government and its role in the new coalition. Tahara then asks how the Murayama government, formed among the Liberal Democratic Party [LDP], the Social Democratic Party of Japan [SDPJ], and Sakigake differs from the former coalition government. Takemura notes "the dual-power structure was removed in the new coalition government," adding "the decisionmaking process has become much clearer than in the previous coalition government." Asked what tasks face the Murayama government, Takemura says: "We are approaching the 50th year after the war, and Japan is facing turning points in all areas. Even the structure of the economy of Japan must be reformed. The Murayama government is also required to carry out drastic reform in other fields such as education, welfare, and agriculture. In this sense, I think carrying out those reforms without a hitch is a basic task given to the Murayama government." Referring to post-war reparations such as compensation to comfort women, Tahara asks how the government will deal with these pending issue. Takemura notes discussions on legislation of the relief law for victims of atomic bomb have just started among the ruling parties, noting it takes time to reach a conclusion on the issue.

At 1203 GMT, turning to the economic issue Tahara asks Takemura if he believes the economy is showing signs of recovery. Finance Minister Takemura says "I am not confident in saying that the economy has hit bottom or is back on course." He adds: "I would say that signs of recovery are growing slightly amid bad business conditions." Asked about his relationship with Finance Ministry bureaucrats, he says politicians need to take leadership in carrying out important tasks such as tax reform. In connection with the tax issue, political commentator Masuzoe asks Takemura if he plans to incorporate in a government-proposed draft bill on tax reform a simultaneous increase in the consumption tax and tax cuts and if the issuance of deficit-covering bonds to make up for losses from tax cuts will eventually worsen the economy. Takemura says: "I think a basic position should remain unchanged that tax cuts should be carried out first and the consumption tax should raised after the economy is boosted." He then expresses concern over the possible failure of enacting the bill by the end of this year. Asked whether an election should be held to ask the people's judgment on tax reform, Takemura notes: "No, if an election were held, from a historical point of view, I think the situation would become confused and the

people would say no. Since there are other means to learn the people's view, such as an opinion poll, we do not always need to hold elections." Asked whether the time to raise taxes will be specified in the bill, Takemura says: "I think it should be specified in the bill."

At 1214 GMT, after lengthy discussions on the tax issue, Tahara asks Takemura whether he thinks general elections should be held as early as possible under the new electoral system after the redistricting bill is passed. Takemura stresses the need to come to grips with immediate issues, noting: "I do not think the Diet should be dissolved just because the new electoral system is established."

The interview ends at 1216 GMT.

#### **BOJ Criticized on Short-Term Money Market**

942A0535A Tokyo NIKKEI KINYU SHIMBUN in Japanese 2 Aug 94 p 1

[Article in "Angle" column by Tokyo Economic Department reporter Satoshi Hanabuchi]

[Text] The Bank of Japan [BOJ] is reeling under criticism of its close relationship with the short-term money markets. BOJ officials claim dauntlessly, "Much is reported in a manner which misconstrues facts," in response to some of the weekly magazine reports which attack vague earnings reports and relationships between call-loan dealers and the BOJ such as the hiring by the former of retiring BOJ officials. However, such criticism is justified by the perception of market participants that "it is advantageous to maintain 'close' relationships with the BOJ to secure inside information on financial policy." The BOJ must exert efforts at public disclosure of information on financial policies which are still shrouded in obscurity and decisions made concerning adjustment of interest rates and the money supply.

One criticism directed at the short-term money market is that, despite major declines in the profitability of financial institutions since the collapse of the bubble, call-loan dealers still maintain high profitability owing to fixed fees. Inordinately large bad loan reserves which seem incompatible with the size of the firms are sanctioned by tax laws, and criticism of "profit concealment" is not necessarily accurate. However, sources in the short-term money market merely say that such measures are taken in accordance with "past practice" and make no attempt to justify criticism of excessive profits.

An object of even greater criticism is the "closeness in personnel matters" with the BOJ. All six call-loan dealers have members with executive authority on their boards of directors who are former employees of the BOJ, and when Hatori Masharu entered the noncollatoralized call market as a broker in August 1993, the firm hired a former auditor who was employed by and well-versed in the operations of the BOJ Operations Bureau.

When the interbank money markets became hamstrung by regulations, in reality, the daily short-term interest rates were being determined based on "close coordination" with the BOJ. After the latter half of the 1980's, the BOJ made an effort at reform of short-term money markets and methods for adjusting the money supply, and transparency was enhanced in financial policies and adjustment actions. However, one market source points out, "Impatience with the difficulties encountered by outsiders in understanding the policymaking process is connected with criticism about closeness between the short-term money market and the BOJ."

The United States maintains transparency of rules to monitor the selection of institutions involved in open market operations and market trends under the government-sanctioned primary dealer system. It also has a system for clarifying the policy decision process by disclosing the minutes of the Federal Open Market Committee, albeit after the fact.

One BOJ official proudly asserts, "Public disclosure of BOJ policy is globally peerless," in consideration of the BOJ president's regular press conferences, Diet interpellations, public issuance of trend assessment information, and disclosure of daily BOJ operations. However, there is a requirement to respond to the needs of the markets by providing an explanation of the policy decision process, as well as public disclosure of the policies themselves, even if it is done after the fact.

#### **Editorial Criticizes MOF for Localizing Tokyo Market**

942A0529A Tokyo NIHON KEIZAI SHIMBUN in Japanese 1 Aug 94 p 2

[Editorial: "Crime on the Fourth Floor of the MOF Building; Localization of Finance"]

[Text] Foreign banks and securities firms which had established branches in Tokyo to take advantage of Japanese capital are leaving Tokyo at an increasing pace. Deutsche Bank has transferred its regional headquarters to Singapore. France's Societe Generale has moved a part of its options operations to Singapore, and Goldman Sachs has relocated dealers involved in foreign exchange operations from Tokyo to Hong Kong. Canada National Bank has withdrawn from Tokyo completely.

Common practice among U.S. and European financial institutions is to send their more capable dealers to Hong Kong and Singapore rather than Tokyo. Logically, this leads to greater revenue in Hong Kong and Singapore, in comparison with Tokyo.

For example, Hong Kong's offshore markets grew to \$796.2 billion as of 31 October 1993, exceeding that of Tokyo. In comparison with sharply growing Asian markets elsewhere, Tokyo markets are falling in status. Also, noticeable is the delisting of foreign stocks on the Tokyo securities markets. Chinese firms are avoiding Tokyo

markets under such conditions and are listing their shares on Hong Kong and New York markets.

Even the Tokyo foreign exchange market has fallen substantially behind the New York and London markets. Movements in the value of the yen are of historical proportions, but news of its movements do not emanate from the Tokyo market. All movements in the value of the yen above or below the 100 yen threshold follow historical patterns originating in the New York market.

The Tokyo market, which was considered the equal of those in New York and London to form the three leading markets of the world, is now being left behind in the dust of the Hong Kong and Singapore markets. It appears that the Tokyo market is being relegated to regional market status rather than existing as an international financial center.

I heard this theory on the fourth floor of the Ministry of Finance [MOF], in disregard of the feeling of crisis in the financial industry: "What's wrong with the Tokyo market becoming the equivalent of the Frankfurt market in Europe?" The fourth floor of the MOF is the home of the Banking Bureau, Securities Bureau, and International Finance Bureau, the three bureaus responsible for financial administration in Japan. It appears that Japan's financial administration has even abandoned the goal of making the Tokyo market an international financial center.

Arguments voiced on the fourth floor of the MOF go something like this: The question is whether we will survive through international financial transactions like the financial center in London or whether we will survive by dealing primarily in domestic capital transactions like the Frankfurt market? Running an international financial center is costly. Market rules would have to be internationalized and would not be compatible with the stability of financial systems. The prosperity of Japanese financial institutions and the growth of the Tokyo market had the illusion of a bubble. Now is the time to emphasize stability in financial matters rather than seek to establish an international financial center.

There must have been advantages with the Tokyo market which did not exist in other international financial centers. Foremost among them had to be the abundant availability of capital. The nation's savings rate is high and the balance of payments surplus is huge. Although these factors inspire economic friction, the availability of capital qualifies the Tokyo market as an international financial center. Why is it that we are abandoning that role in disregard of such qualifications. Where did we go wrong?

There is no doubt that office space rentals and manpower costs are high. However, foreign firms must have entered the markets fully aware of those conditions. Foreign firms uniformly complain of complicated financial administration. The MOF thinks it has implemented

financial deregulation at a rapid pace. However, financial deregulation in Japan has been outpaced by such moves in the United States and Europe as well as in the principal regions of Asia. Officials of British financial institutions in Hong Kong say they can now thrive in Hong Kong, thanks to a decision to move away from regulated markets in Tokyo.

The financial world is rapidly internationalizing, but the MOF has treated the pace of deregulation comparably with past systems in Japan. Therein lies the cause for the birth of a financial giant distorted to the degree that it is no longer compatible with international standards.

Moreover, financial administration veered toward greater regulation rather than deregulation during the collapse of the bubble. Differences in the degree of deregulation expanded when viewed from a global perspective. Price-support operations were implemented in an attempt to artificially stem stock price drops and collective guidance was widely used to sustain the operations of financial institutions with large amounts of nonperforming loans.

While the fourth floor of the MOF was engaged in implementing retrogressive measures to cope with the residual effects of the bubble, the world was witnessing a new trend in global financial operations. Trading in financial derivatives in the form of futures, swaps, and options rose sharply as a way to hedge against risks associated with investments in traditional financial instruments.

However, although such new financial products could be traded on an unregulated basis in other markets, it was difficult to trade in other than standard financial products in the Tokyo markets. If a securities firm went to the MOF for approval to trade in a new product, it would be faced "with detailed, annoying, and persistent" questions. The discussion would end with the question, "Is there a problem with the speculative nature of the instrument?"

In addition to the exceptional costs associated with the requirement to submit reports, there are the restrictions imposed by unwritten regulations. In fact, it is only logical that foreign financial institutions seek refuge from such regulated markets.

The fourth floor of the MOF, primarily the International Finance Bureau, is awakening to the reality of the hollowing out of the financial industry. However, it is just beginning an investigation of the situation. It is having difficulty forsaking the administrative concept that "deregulation must be premised on the condition that it will not lead to disruption in the supply-demand relationship."

Comments are also heard that "the three bureaus on the fourth floor cannot cope effectively with the Tax Bureau on the second floor even if they were to work as a team."

If Japan is to avoid the regionalization of its financial market, it must revise its tax systems.

One reason foreign firms are relocating their branch operations to other financial centers in Asia is the heavy burden imposed by income and corporate taxes. Income tax withholdings for interest income is also an issue. We should at least abolish the securities transaction tax.

Deregulation and tax system reform of a modest proportion will not be sufficient to stem the current trends toward relegating Tokyo's market to regional status. We need to take bold actions that will overcome slowness in deregulating our market.

If the Tokyo market fails to become an international financial center, the Japanese economy will fail to gain international confidence. If financial markets which attract international capital fail to function properly, distortions will occur in the international flow of capital. The Japanese economy has grown too large to limit financial market operations to a scope which allows for complete control by the MOF.

#### **Editorial Reviews Residential Loan Packages**

942A0552A Tokyo YOMIURI SHIMBUN in Japanese  
7 Aug 94 p 3

[Editorial: "Encourage Growth of New Types of Housing Loans"]

[Text] Interest rates on housing loans issued by institutions such as city banks will be deregulated in the next month. We can expect a reduction in interest rates charged consumers as well as the establishment of new types of loans.

Housing loans are large debts that are undertaken only a few times in a lifetime and impose a burden on household budgets for many years. The public has complained about the cuts in interest paid on deposits over an extended period, but they will finally benefit from decontrol of interest rates on housing loans.

We sense that the change was overdue, but we would like to welcome it from the standpoint of deregulation and emphasis on consumer interests.

Housing loans were initiated in our country in 1960, but loans were initially issued as a joint project with real estate firms and totaled only several tens of billion yen a year.

Subsequently, housing loan demand grew sharply from 1965 to 1974 during the high-growth period and all banks combined, including city banks, regional banks, trust banks, and long-term credit banks, have a combined total of 4.12 million loans outstanding with a balance of 42 trillion yen.

The recent deregulation resulted from the abolishment in recent days of the MOF Banking Bureau bulletin of 1983 which in reality linked housing loans to the long-term prime lending rate.

The most recent deregulation action, together with the decontrol of interest on liquid deposits implemented in October and the establishment of certificates of deposit in 1979, completed interest deregulation in Japan.

City banks are now in the process of designing loan packages for marketing subsequent to deregulation, but variable rate loan packages will probably consist mainly of those where the basis for the basic interest rate changed from the long-term prime rate currently at 4.4 percent to the short-term prime rate of 3.0 percent.

The new procedure for determining housing loan interest rates will consist of charging a 1 percent premium over the short-term prime rate and will result in a maximum interest rate reduction of 0.4 percent.

On the other hand, fixed-rate housing loans in most cases will involve the use of so-called interest rate swaps and offer a fixed interest rate for five to 10 years. Again, interest rates will be lower than with current loans of this type, and they are being offered by several city banks.

Banks dislike carrying loans issued at low interest rates such as those prevailing today for several dozen years and are very negative about issuing loans at a fixed rate. The situation will probably change with the increased use of new forms of fixed-rate loans coupled with swaps.

Such types of loans have advantages for banks. For city banks and regional banks, use of short-term money to fund long-term housing loans results in a mismatch. Tying loans to short-term prime rates through the use of swaps enables them to avoid risk.

Housing loans represent 10 to 15 percent of overall loans issued by city banks. We would like to see banks consider the predicament they face in terms of corporate loans and develop a strategy to design diversified, easy-to-use loan instruments as a means to increase transactions between banks and households.

Needless to say, deregulation will mean differences in interest rates offered based on financial strength and widening differences in bank viability. Consumers must also become increasingly aware of their role in terms of self-accountability in the face of a diversity of financial products. They must become aware of the demands imposed by deregulation.

The loan balance at the Housing Loan Corporation is 48 trillion yen, exceeding that of all 150 banks, but in reality, the former is subsidized "to cover deficits" to the tune of several hundreds of million yen a year. We believe it is time to review the role of public financial institutions and private-sector banks as well as the equity of tax burdens imposed on the two types of financial organizations.

#### **Continued Reports on Issues Related to Reform Panel on Electoral Reform**

OW1008124794 Tokyo KYODO in English 1229 GMT  
10 Aug 94

[Text] Tokyo, Aug. 10 KYODO—A government panel Wednesday [10 August] completed its four-month task

of defining the boundaries of 300 single-seat constituencies for the new 500-seat House of Representatives for submission to Prime Minister Tomiichi Murayama.

The Constituency Redrawing Council will present to Murayama on Thursday its recommendations, which fail to alleviate the gap of more than 2 to 1 in the weight of a vote in 28 newly-created constituencies, officials said.

The maximum gap in the value of a vote between the largest and smallest constituencies will stand at 2.137, according to KYODO NEWS SERVICE calculations based on the panel's blueprint for the electoral boundaries.

The creation of the new lower chamber, to be elected through a mechanism of combining 300 seats from single-seat constituencies and 200 proportional representation seats, was mandated by a new electoral law passed in January. The new chamber replaces the current 511-member chamber based on the multiseat constituency system.

The panel, led by former Keio University President Tadao Ishikawa, had started drawing up the electoral boundaries in April on the basis of a mandate from the Diet and the then coalition government of Prime Minister Morihiro Hosokawa.

According to the panel's decisions likely to be approved by the Murayama administration, the largest constituency is the No. 8 constituency in the prefecture of Hokkaido with a population of 545,542.

The panel decided to make the No. 3 constituency in the prefecture of Shimane with a population of 255,273 the smallest of the 300 new constituencies, according to the blueprint.

As a result, the gap in the value of votes to be cast in the southernmost electoral district of Hokkaido, northern Japan, covering a large stretch of the Oshima Peninsula and the smallest western Shimane district was set at 2.137.

The discrepancy is marginally smaller than the maximum gap of 2.146 in the weight of a vote set by a 1990 recommendation by a similar but now-defunct panel appointed by former Prime Minister Toshiki Kaifu.

The Kaifu panel's blueprint came to nothing after Kaifu was ousted from power by LDP elders in 1991 amid criticism of its recommendations for a single-seat system as unfair from the opposition camp.

The number of large constituencies whose population is more than twice that of the smallest constituency will total 28—one more than the corresponding number that would have resulted from the Kaifu panel's plan.

Upon receiving the draft, the Murayama administration will draw up an amendment to the public office election law to integrate the 300 new constituencies into the text of the law, the sources said earlier, the officials said. The

bill is likely to be tabled to the Diet in the latter half of September following these preview procedures, they said.

#### SDPJ Member on Tax Reform

OW1008144194 Tokyo MAINICHI SHIMBUN in Japanese 7 Aug 94 Morning Edition p 9

[Interview with Ichiro Hino, chairman of the ruling parties' Tax System Research Council and member of the Social Democratic Party of Japan, by MAINICHI SHIMBUN Economic Department reporter Shigehiro Takada; place and date not given]

[Text] [Takada] The former coalition government called for "realization of a tax reform aimed at increasing and decreasing taxes [as published] within this year." Compared with this, the new administration is trying to separate tax reduction from tax increase by reducing taxes first.

[Hino] Do we need to promote a reform by reducing taxes or do we have to treat tax increase and reduction as a set? This choice is the largest focal point of this administration's tax reform. However, it is true that the Liberal Democratic Party [LDP], the Social Democratic Party of Japan [SDPJ], and Sakigake have different opinions. It is not easy to coordinate opinions. The tax increase will be unintentionally delayed if we lean too much on the idea of introducing tax reduction. We should not forget that such a delay will multiply our future tax burdens.

[Takada] Many SDPJ members are negative about the idea of increasing the consumption tax rate.

[Hino] Well, their views have changed considerably. The atmosphere is such that they are not stubbornly opposing a tax increase. This is because they now have self-awareness that the SDPJ became a ruling party. However, some people are still saying that it is inevitable for the government to revise the unfair consumption tax system. For example, minor companies are given special treatment (including tax exemptions). Many people are of the view that we need to review the entire tax system (if we want to increase taxes); we need to review the taxation on interest or dividends and the idea of introducing a new system in which each taxpayer will be given an identification number.

[Takada] Some lawmakers, with Sakigake members as the central figures, are strongly insisting on their view that "administrative reform must be done before tax system reform."

[Hino] I personally think it is difficult to show the effects of the reform in numbers. At the same time, I do not believe that a tax system reform will not progress unless effects of an administrative reform can be numerically shown. Administrative reform is an endless process. I am sure the people will understand if we can clearly tell them what we are going to do. We should not be abstract like

saying that "we will do our best." We should come up with concrete proposals by showing them targets of our administrative reform.

[Takada] As was the case during the discussions over the idea of setting the budget ceiling, it seems the ruling parties, at a budget compilation for the next fiscal year, will put strong pressure on the government to increase expenses. On the other hand, they are saying it is necessary to cut expenditures to promote tax system reform. Do you not think these two points are contradictory to each other?

[Hino] At the time of setting the ceiling, the ruling parties were calling for realization of their policies. They were not demanding an expansion of expenditures but saying that the government "should try to tighten expenditures in some areas and loosen in others." I am sure promotion of administrative and financial reforms and tax system reform will coexist. On the other hand, we think it is necessary to cut expenditures, including eliminate or reduce subsidies and the preferential tax treatment for corporations, and to secure tax revenues.

[Takada] An upper house election and unified local elections will be held next year. Moreover, it is also likely that a general election will be held next year. Therefore, some people point out that it is difficult to promote tax system reform centered around the idea of increasing the consumption tax.

[Hino] It is certainly difficult to promote a tax system reform when we know there will be elections. However, we should not delay pending matters for that reason. We will not be able to promote tax system reform forever if we worry about the possibility of Diet dissolution. At the industrialized countries' summit held in July, Japan made an international pledge, saying it would continue to reduce taxes. We will aim at realizing the tax system reform within this year. To do that, we need to make decisions on tax reform by mid-September, which was determined by calculating back from the Diet schedule.

[Takada] Do you think actual figures, such as an increase in the consumption tax rate, will be determined at that time?

[Hino] This is an issue that requires a political process. However, we are planning to buckle down with enthusiasm to this task to determine actual figures. Needless to say, we will try to keep tax rates low. We will not stick to the "7 percent" of the national welfare tax concept, which was announced in February.

### North Korea

#### U.S. Editorial on ROK Security Law Viewed

*SK1108030094 Pyongyang Korean Central Broadcasting Network in Korean 0110 GMT 11 Aug 94*

[Text] The U.S. newspaper THE NEW YORK TIMES carried on 9 August, an editorial entitled "South Korea Hurts Itself With Its Own Blunder."

The editorial said that South Korea was carrying out a fierce campaign against students and labor union activists in a way which cannot be legal in a democratic society, and that there was no sign that this oppression in South Korea would abate now, when over one month has passed.

Noting that this is a severe challenge to democracy, the editorial reads: Genuine South Korean friends have to raise a clamor about this. The oppression began in June when a series of actions by labor unions took place. For the first stage, the police stormed into factories and arrested many labor union activists. The police also stormed into universities and arrested student activists allegedly supporting North Korea.

The editorial noted that previous South Korean military regimes had strictly controlled political activities.

The editorial noted that this year, the Clinton Administration expressed its concerns about the National Security Law of South Korea and its hope that Seoul would abolish this law as soon as possible. The editorial noted: Washington, however, has recently generally lowered its voice on human rights amid the fuss over the nuclear issue, and it does not seem like it will make an issue of this with South Korea.

#### Former ROK Embassy Official Denies Abduction

*SK1108050694 Pyongyang KCNA in English 0427 GMT 11 Aug 94*

[["S. Korea's False Propaganda Rejected"—KCNA headline]

[Text] Pyongyang, August 11 (KCNA)—Yu Song-kun who came over to the North from South Korea 23 years ago recently met with reporters. Incensed at the groundless allegation of the South Korean authorities that he was "kidnapped by the North" and he committed "a suicide," he said it is a blasphemy against him.

He came over to the North with his wife and two daughters, seeking a true life, in April 1971, while serving as a secretary in charge of personnel management at the South Korean puppet embassy in Bonn.

He, 61, is engaging in researches at Choe Sang-chol's a scientific institute. His wife has retired on an old-age pension and his two daughters are working with scientific institutes after graduating from Kim Il-song University.

Yu Song-kun said:

"As I made clear at a press conference shortly after my coming to the North, I decided to come here, unable to live any longer with national conscience in South Korea under the colonial rule of a foreign country. If I was kidnapped, how could I be admitted to the Workers' Party of Korea and how could my children graduate from Kim Il-song University, the highest seat of science?"

"Now I am living a happy life with my family. Kim Yong-sam and 'Director of the Agency for National Security Planning' Kim Tok and 'Minister of the Unification Board' Yi Hong-ku should see me living in health.

"The South Korean authorities, however, are alleging that I was 'kidnapped' and committed 'a suicide,' while talking about 'human rights problem' and 'a concentration camp' in the North. It goes without saying that all of this is a preposterous lie.

"Judging from the present situation of South Korea in which even Kim Yong-sam takes part in such a false propaganda, it is obvious that the South Korean authorities are feeling very uneasy now.

"How can the Kim Yong-sam group go unpunished after committing such an immoral and anti-ethical act as expressing no condolences on the death of President Kim Il-song, the great father of the nation, and harshly suppressing those who were mourning his death?"

He warned that Kim Yong-sam must clearly know that if he continues such wicked acts, he will be brought to an early grave.

**Suppression of Kim Il-song's Memoirs Denounced**  
*SK1008150394 Pyongyang Korean Central  
Broadcasting Network in Korean 1225 GMT 9 Aug 94*

[Commentary by Yun Pyong-son: "One Who Betrays People's Will Cannot Avoid Punishment"]

[Text] In South Korea, the great leader Comrade Kim Il-song's memoirs entitled "With the Century" have been published on innumerable occasions.

The publishing house Kasowon in Mangwon-tong, Mapo-ku, Seoul, asked the printing shop Kyongmun in July to print 15,000 copies of the great leader's memoirs after rearranging the book in four volumes. By the way, the fascist clique kicked up a commotion by seizing and searching that publishing house and printing shop on 7 August, and seized a large quantity of copies of Volume 2 of "With the Century." The clique committed an atrocious act of seizing the original version of the memoirs by searching Kasowon again on 8 August.

They have cast a dragnet to arrest Yi Hui-kwon, president of Kasowon, and suppressed Na Pyong-sun, president of Kyongmun, and the bookbinder by inquiring into the circumstances in which they have published the book.

This is a violent act which only a group of ignorant and uncouth rascals, like the Kim Yong-sam ring, can commit, and is an intolerable criminal act.

The freedoms of speech and publication are basic rights in a democracy. This notwithstanding, the Kim Yong-sam fascist clique has seized and searched the publishing house and the printing shop that have published the memoirs, and suppressed progressive people. This

clearly shows that South Korea is a matchless fascist society and a place devoid of human rights, where even the freedoms of speech and publication are utterly infringed on and obliterated.

Furthermore, what we cannot but make an issue of is that the puppets have been kicking up a commotion because the great leader's memoirs have been published. As everybody knows, included in the memoirs "With the Century" is the history of the great leader Comrade Kim Il-song's revolutionary activities—his immortal achievements accomplished throughout his whole life, along with the 20th century, since he emerged as the sun of mankind.

Being the immortal great revolutionary book—a comprehensive synthesis of the matchless great man's heroic epic history—the memoirs "With the Century" are being used as a textbook for life and strife, and as a guideline for all people.

Therefore, ever since it was published, the memoirs have aroused stormy repercussions in, and been widely read with pleasure by, the world's peoples. The fact that South Korean people are publishing, and are avidly reading, the memoirs "With the Century" correctly reflects such a world trend. This is extremely just and aboveboard.

The memoirs are actively read with avidity even by those people with different languages and skin colors, regardless of the differences in their ideologies and systems. Under these circumstances, why are the publication and pleasurable reading of the memoirs by the South Korean people—the compatriots—regarded as a crime and as a target of suppression?

The Kim Yong-sam ring is a group of ignorant and uncouth barbarians who do not know of the world-famous great man, nor the trend of the times, nor the people's will; and is a group of traitors who should be cursed and denounced by mankind forever.

Since the great leader passed away, the Kim Yong-sam ring has kicked up an unprecedented commotion, while politically abusing the inauspicious event of the nation, and has cruelly suppressed the patriotic students and people who have expressed their condolences. This is a well-known fact.

Because of this, the Kim Yong-sam ring has been denounced and rejected as a group of rascals, who do not know of ethics nor morality, and a group of barbarians, who are lower than animals. This notwithstanding, the ring has piled crimes upon crimes by suppressing again the publishing house and the printing shop that have published the memoirs "With the Century."

The puppets are wielding guns and bayonets for fear that the greatness of the great leader—which no great men in the world can match—should be widely known and that a sense of admiration toward him should further increase among the South Korean people. Their act is

only displaying the miserable nature of those who are out of step with the tenor of the times.

What one cannot block even with guns and bayonets is the sentiment of the people who are admiring a great man.

The puppet clique's reckless maneuverings of suppression is as silly and (?stupid) as trying to block the sun with palms.

The Kim Yong-sam ring, who has betrayed the people's will for the cause of their personal ease and maintenance of power, will surely be put to severe judgment by the people.

#### **Kim Il-song Memoir Said 'Widely Read' in ROK**

*SK1108053394 Pyongyang KCNA in English 0407  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—The great leader President Kim Il-song's reminiscences "With the Century" has been published in a great many copies in South Korea, a radio report from Seoul said.

The Kasawon Publishing House in Mangwon-tong, Mapo district, Seoul, edited the reminiscences in four volumes and requested the Kyongmun printing shop to print 15,000 copies of it in July .

The South Korean fascist clique searched the publishing house and the printing shop on August 7 and confiscated many copies of the second volume of the reminiscences.

The reminiscences are widely read by South Korean people and have evoked a lively response from them.

Prof. Choe of Korea University said after reading the reminiscences:

"In the preface of his reminiscences, President Kim Il-song wrote that 'to believe in the people as in heaven' was his constant view and motto. There are many legend-like stories in the reminiscences proving this motto. President Kim Il-song was, indeed, the great sun of the nation and the kind father of the people who performed immortal exploits in the history of the nation."

A certain Kim, a high school teacher in Pusan, gave his impressions of the reminiscences, saying:

"Having read the reminiscences, I feel high pride in having the leader of the nation in the person of the great President Kim Il-song, a legendary hero of the anti-Japanese struggle and peerless patriot. President Kim Il-song was a great thinker and theoretician, a master of leadership and rare hero with noble virtues. It is natural that the progressive mankind of the world should adore him so deeply."

#### **ROK Student Reportedly Posts Mourning Letter**

*SK1108052094 Pyongyang KCNA in English 0411  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—O Hyon-chu, a student of the Korea Radio and Correspondence College, pasted on a notice board a letter of mourning over

the death of the great leader President Kim Il-song in the name of the Fellowship Society of the National Federation of University Gazette Reporters on July 19, greatly moving passers-by, a radio report from Seoul said.

The letter titled "On the Death of President Kim Il-song" highly praises President Kim Il-song and honours his memory.

#### **Reunification Committee Denounces ROK's Acts**

*SK1108000194 Pyongyang KCNA in English 2219  
GMT 10 Aug 94*

[“CILRECO Criticises S. Korean Authorities’ Inhuman Acts”—KCNA headline]

[Text] Pyongyang, August 10 (KCNA)—The International Liaison Committee for Reunification and Peace in Korea (CILRECO) issued an appeal on August 1, calling on all progressive forces of the world to denounce the South Korean authorities' anti-ethical and immoral acts and join in the solidarity movement for the cause of Korean reunification.

The appeal said:

The most respected President Kim Il-song, who had devoted everything to the independent and peaceful reunification of Korea and the cause of peace, passed away to our sorrow. The CILRECO held a solemn memorial service for President Kim Il-song at the building of its secretariat in Paris on July 13.

During the mourning period, more than five billion people of the world mourned the death of President Kim Il-song.

Only the South Korean authorities did not express condolences on the death of the great man who exalted the modern history of the Korean nation. Worse still, they arrested and imprisoned those who attempted to make a mourning call at the North. This is a never-to-be-condoned outrage against elementary ethics and morality and the customs of the Korean nation.

If they had the elementary souls of humanity, they would have issued neither "special alert order" inciting the concept of confrontation nor repressive orders lacerating the hearts of mourners at a time when they should have expressed condolences beyond political view and idea. The appeal expressed firm solidarity with the South Korean people who mourned the death of President Kim Il-song, the leader of the Korean nation, in the teeth of the vicious repressive campaign of the South Korean authorities.

#### **Ministry, Kazakhstan Sign Cooperation Protocol**

*SK1108105894 Pyongyang KCNA in English 1027  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—A protocol on cooperation and negotiation between the Foreign Ministries of the DPRK and the Republic of Kazakhstan was signed in Almaty on August 4.

It was signed by DPRK Ambassador to Kazakhstan Yi Kil-nam and Kazakh First Vice Foreign Minister K.K. Tokayev.

**Central People's Committee Sends Message to Chad**

*SK1108051394 Pyongyang KCNA in English 0417  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA) - The Central People's Committee of the Democratic People's Republic of Korea Wednesday sent a message of greetings to Idris Deby, head of state and president of the Republic of Chad, on the occasion of the 34th anniversary of the independence of Chad.

The message expressed the belief that the friendly relations between the two countries would continue to develop.

**PRC: Kim Chong-il's Election 'Likely' Mid-Aug**

*OW0908114694 Tokyo KYODO in English 1131 GMT  
9 Aug 94*

[Text] Beijing, Aug. 9 KYODO—Japanese Diet member and former Defense Agency chief Taku Yamasaki said Tuesday [9 August] he was told by Chinese officials that Kim Chong-il will most likely be elected to North Korea's highest positions by mid-August.

Yamasaki said that in talks with the head of the International Liaison Department of the Chinese Communist Party, Li Shuzheng, and Vice Foreign Minister Tang Jiaxuan, he was told the dual positions of the late president and general secretary of the Workers Party of Korea Kim Il-song will be officially handed down to his son as soon as next week. Observers in Beijing noted that August 15 is North Korea's independence day and said such an official announcement could come by then.

The officials said Kim Chong-il has in fact already taken over his father's positions and felt that the new leadership should be officially announced before the third of four annual meetings between the North Korean and Chinese parties takes place in Pyongyang before the end of August, Yamasaki said.

He said the Chinese officials pointed to the traditional lengthy mourning period of the North Korean people for the long delay in announcing the new leadership.

Kim Il-song died of a heart attack July 8, just as his isolated country was beginning to prepare both a summit meeting with its bitter rival South Korea and negotiations with the United States over the suspected North Korean nuclear weapons program.

Yamasaki said the officials expected the younger Kim to continue to implement the solutions to the nuclear issue as discussed by his father and former U.S. President Jimmy Carter in late June as that was the only way for North Korea to end its impoverished isolation.

The Chinese, when asked if they would process spent nuclear fuel rods currently being held at the north's Yongbyon plant instead of having North Korea process them, only reiterated their stance that the nuclear issue should be solved through negotiations between North and South Korea, the U.S. and the International Atomic Energy Agency (IAEA).

The Chinese said it is possible that the younger Kim, who is officially the head of North Korea's military, would allow IAEA inspections of two suspected North Korean nuclear facilities which have been previously ruled out of bounds by the North.

Meanwhile, the Chinese blamed South Korea's recent attitude and policies toward North Korea for hindering preparations on the upcoming summit and cited the ban on mourning of Kim Il-song by South Koreans and interference in the North's affairs over human rights issues, he said. Yamasaki held talks with Li on Monday and Tang on Tuesday, he said.

**Kim Chong-il Sends Flowers to U.S. Resident**

*SK1108113494 Pyongyang KCNA in English 1108  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—Comrade Kim Chong-il, the great leader of our party and our people, sent a basket of flowers and a gift to U.S.-Resident Korean Son Won-thae on his 80th birthday.

The basket of flowers and gift were conveyed to Son Won-thae on August 11.

Present on the occasion were Mr. Son and his family on a visit to the homeland, his relatives and friends.

Overcome by the constant great loving care shown to him through generations, Mr. Son said:

"I cannot find proper words to express thanks for the love and meticulous care shown by the great President Kim Il-song to me."

"Though he passed away, the great President Kim Il-song who devoted his whole life to the people will be always alive in our hearts."

He went on to say:

"Unshakable in the hearts of us all is the conviction that the revolutionary cause of chuche is firmly guaranteed and will be accomplished because we are led by the dear leader Kim Chong-il. We must remain loyal to his leadership and build our country more wonderfully by strictly relying on our strength, not depending on outside forces."

Son Won-thae is a son of Rev. Son Chong-do who actively assisted President Kim Il-song in the 1920s when he was conducting revolutionary activities.

**Kim Chong-il Praises Korean People's Army Units**

*SK1108110094 Pyongyang KCNA in English 1029  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—Comrade Kim Chong-il, supreme commander of the Korean People's Army [KPA], praised as a good model KPA non-commissioned officer Kim Myong-hui who died while on a combat mission after saving her revolutionary comrades and combat equipment at a critical moment and highly appreciated the command of the Kim Kyu-yong Unit and the Chang Myong-sok and Song Chun-hwa subunits to which she belonged.

The KPA officers and men are now fully displaying the traditional virtues of unity between officers and men and heroic deeds of unhesitatingly devoting their own lives to revolutionary comrades.

**Talk Hails Kim Chong-il for Promoting Forestry**

*SK1108114394 Pyongyang Korean Central  
Broadcasting Network in Korean 1147 GMT 10 Aug 94*

[Unattributed talk: "Our Forestry Has Been Built Firmly Under the Party's Leadership"]

[Text] The dear leader Comrade Kim Chong-il noted: Our country's forestry, which fell a century behind in the past due to colonial rule by Japanese imperialism, has been strengthened and developed into a self-reliant and modern forestry sector, relying on our own forest resources and equipped with advanced technologies.

Today our country's forestry is being developed constantly by the wise leadership of the great leader and the dear comrade leader. Even when he saw a tree in those days of experiencing the bloodshed of the anti-Japanese revolution at a young age, the great leader instilled the patriotic spirit into members of the ranks, bestowed faith in a certain victory, and ripened the grand plan to build a dependable forestry base in the liberalized fatherland and build a paradise for the people. He elucidated the direction and methods for development in the forestry sector every time and at every stage of the developing revolution.

A day one year after the fatherland's liberation, the great leader visited functionaries of the forestry sector and taught them how to develop a large forestry base in the northern area. To implement this, he assigned them the task of building forestry railways in Mt. Paektu and wisely led them to realize this task.

The great leader, who foresaw our people's victory even in those harsh days of the fatherland liberation war, took various measures to develop the national forestry sector. In particular, he organized the work of securing forestry resources to smoothly meet the demand for trees, which would increase during postwar reconstruction, and he bestowed great benevolence to guarantee pleasant work

conditions for technicians, experts, teachers, and university students mobilized for this work, calling each of them a valuable asset to the country.

The great leader showed special interest in the development of the forestry sector when he laid out the majestic blueprint for postwar reconstruction.

The great leader convened a national conference of activists in the forestry sector in May 1954 and delivered the historic speech on tasks of functionaries of the forestry sector during postwar reconstruction.

The great leader put forth in the speech an independent and original cyclic timber processing method, and took measures to ensure workers of this sector would not experience inconveniences in their working life.

The great leader had warm love and benevolence for the forestry workers who earned wages as day laborers. We have no words to describe the visits the great leader made to our forestry workers' work sites, the measures he took for them, and the benevolence he had for them. How can we fully describe the might of forestry, which was made strong in those days?

The dear comrade leader, who brings the great leader's grand plan into full bloom in this land, always gave great significance to the work of the forestry sector. He not only sent able functionaries, technicians, and young and prime age labor to the forestry sector, but grasped the work of the forestry design station, the forestry science research institute, and the wood chemical research institute and specifically elucidated the direction and method of the development of their work.

On 10 August 1963, which vividly reminds us of our gratitude, the dear comrade leader accompanied the fatherly leader on a visit to Samjiyon work site and Imsan village of the Yi Pyong-su Forestry Station. On that day, the dear comrade leader gave deep attention to methods to increase lumber production by applying the cyclic timber processing method, as elucidated by the great leader, and to the life of the workers. The dear comrade leader also specifically elucidated the fundamental problems arising in building a major forestry base, a model project of the country, in Samjiyon district.

The dear comrade leader visited the Wiwon sawmill and had the mill use machinery in transporting logs and modernize timber processing facilities to increase the number of wood products and improve their quality. He also helped further expand the production capacity of the Kilchu plywood plant. Stories about his great efforts to develop the forestry industry in the country are endless.

Comrade Kim Pyong-to, director of an office of the Forestry Ministry, stated:

[Begin Kim recording] Every August reminds us of the wise leadership of the dear leader Comrade Kim Chong-il, who has contributed to the development of the forestry industry in our country. The dear leader Comrade

Kim Chong-il, always paying deep attention to the development of the forestry industry in the country, highly praised officials and workers in the forestry sector, saying they are unheralded heroes and genuine patriots of our era who, without expecting any honor or reward, climb up and down rugged mountains and devote themselves to the party and the leader [suryong] and the fatherland and the people throughout their lives. He also did all favors to our working class of the forestry sector.

He also took benevolent measures to provide, on a priority basis, the forestry industry with modern machines and equipment necessary to strengthen the material and technological basis of the forestry industry. Plenty of timber processing plants and plants and enterprises that manufacture modern machines and equipment that the forestry industry needs have been built across the country. As a result, the forestry industry's material basis has been further strengthened.

In this way, under the wise leadership of the dear comrade leader, the material and technological basis of our country's forestry industry has been strengthened greatly, and new turns have been brought in planting trees and preserving forests. The forestry industry satisfactorily meets demands for timbers, boards, and wood products that various sectors of the people's economy need. [end recording]

Under the wise leadership of the dear comrade leader, the country's forestry industry has been developed to an astonishing extent.

Under the rotation logging system which the great leader presented, the forestry sector has greatly innovated the production of logs and, as a result, satisfactorily meets the demands of various fronts of socialist construction for logs at present.

The material and technological basis of the forestry industry has been strengthened. As a result, when compared to the figures of 1963, the number of plants and enterprises operational for the forestry industry has tripled, the length of the railway for the forestry industry has increased scores of times, and the length of waterways for log transportation has increased 3.5 times.

A strong timber processing industry and a strong chemical industry for timber processing have been built. A new turn has been brought about in planting trees and preserving forests.

Under the tested leadership of the dear comrade leader, our forestry industry has today embarked on a road toward further development. On 10 August 1992, the dear comrade leader, who had always paid deep attention to the development of the country's forestry industry and who has bestowed favors on the industry, sent the historic letter "On Further Developing the Forestry Industry" to all officials and workers in the

forestry industry on the day they were celebrating the 30th Day of Forestry Workers.

This historic letter from the dear comrade leader was a programmatic guideline that has helped further develop the country's forestry industry in step with the developing times.

Officials and workers in the forestry industry, cherishing deep in their hearts the efforts that the great leader made to develop the country's forestry industry, are filled with a resolve to fulfill the leader's lofty desire under the dear comrade leader's leadership.

The officials and workers of the forestry industry, cherishing in their hearts the desire the great leader expressed when alive and their pride in the fact that they overfulfilled their logging plans last July, are overfulfilling their daily production plans.

In the worthwhile struggle to loyally uphold the dear comrade leader's leadership, the workers of the forestry industry will brilliantly fulfill the lofty desire the great leader expressed when alive.

**Kim Chong-il Thanks Workers, Teachers for Help**  
*SK1108052394 Pyongyang KCNA in English 0409  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—Supreme commander of the Korean People's Army Comrade Kim Chong-il sent thanks to various units including the Kaesong Municipal Party Committee, the Chollima Steel Complex and the Hwanghae Iron and Steel Complex and working people including the family of Kang Kwang-su, secretary of the Pyongyang Municipal Party Committee, Ho Chong-ok, a teacher of the Samgol Senior Middle School in Pyongyang, and Yi Se-chol, an instructor of the Manyon Health Corporation under the Ministry of Public Health, and his wife Yi Kyong-hui.

They had assisted the People's Army materially and morally, giving full play to the tradition of the army-people unity.

**Book on Kim Chong-il Published in Other Languages**

*SK1108105994 Pyongyang KCNA in English 1026  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—The foreign languages publishing house published in foreign languages the book "Kim Chong-il, the Individual, Thoughts and Leadership" (1).

The author is Pae Kyong-su, an overseas Korean.

Printed on the first page of the book is a picture of the dear leader Comrade Kim Chong-il responding to the enthusiastic cheers of the masses.

The book consists of three chapters: "The Fortunes of the Times, a Figure of Momentous Ambition," "Successor to the Cause of Independence, a Model Successor" and "A Man of Uncommon Wisdom, a Prodigy of Modern Ideology."

Included in the ten sections are "An Illustrious Birth," "Emergence of the Successor," "Steadfast Loyalty" and "The Thinker-Theoretician Who has Crystallized the Theory on Human Emancipation."

In the book, the author says dear Comrade Kim Chong-il has intense loyalty to the revolutionary cause, a noble spiritual world and the noblest and rare commanding art as the leader of the revolution and the kind father of the people.

### **Kim Chong-il Replies to Party, State Leaders**

*SK1108120794 Pyongyang KCNA in English 1106  
GMT 11 Aug 94*

[All names as received]

[Text] Pyongyang, August 11 (KCNA)—The dear leader Comrade Kim Chong-il, chairman of the National Defence Commission of the Democratic People's Republic of Korea and supreme commander of the Korean People's Army, sent messages to foreign party and state leaders in reply to their messages of condolence over the death of Comrade Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea and president of the Democratic People's Republic of Korea.

The reply messages were addressed to Khamtai Siphan-don, chairman of the Central Committee of the Lao People's Revolutionary Party and prime minister of the Lao People's Democratic Republic, and President Nouhak Phoumsavanh and chairman of the National Assembly Samani Vignaket of the Lao People's Democratic Republic; Mahamane Ousmane, president of the Republic of Niger; Alpha Oumar Konare, president and head of state of the Republic of Mali; Blaise Compaore, president, head of state and chairman of the Council of Ministers of Burkina Faso; Mecheslav Ivanovich Griv, chairman of the Supreme Soviet of the Republic of Belarus; Valentine Esegragbo Melvin Strasser, head of state and chairman of the National Provisional Ruling Council of the Republic of Sierra Leone; Obiang Nguema Mbasogo, founder-chairman of the Democratic Party of Equatorial Guinea, president and head of state of the Republic of Equatorial Guinea; Henri Konan Bedie, president of the Republic of the Cote d'Ivoire; Jose Eduardo dos Santos, chairman of the Popular Liberation Movement of Angola and president of the Republic of Angola; Raul Castro Ruz, second secretary of the Central Committee of the Communist Party of Cuba, first vice-president of the Council of State, first vice-president of the Council of Ministers of the Republic of Cuba and minister of the Revolutionary

Armed Forces; Chea Sim, chairman of the Central Committee of the People's Party of Cambodia; B. Dashyondon, general secretary of the Mongolian People's Revolutionary Party; President Man Mohan Adhikari and General Secretary Madhav Kumar Nepal of the Central Committee of the Nepal Communist Party (United Marxism-Leninism); Narayan Man Bijukchhe, chairman of the Nepal Workers and Peasants Party; Samboram Shrestha, secretary general of the Central Committee of the Nepal Communist League; P. Narayan Chaudhry, chairman of the Nepal Communist Party (Marxism); and Keshar Jung Rayamaj, chairman of the Democratic Socialist Party of Nepal; Walid Joumblatt, president of the Socialist Progressive Party of Lebanon; Inaan Raad, chairman of the Nationalist Socialist Party of Syria in Lebanon; Farouk Dahrouj, general secretary of the Central Committee of the Lebanese Communist Party; Abdallah al Chahal, secretary of the Regional Leadership of the Arab Socialist Baath Party of Lebanon; Mujahdul Islam Selim, general secretary of the Central Committee of the Bangladesh Communist Party; Dilip Barua, general secretary of the Central Committee of the Communist Party of Bangladesh (Marxist-Leninist); A.F.M. Mahbubul Huq, chairman of the Central Committee of the Socialist Party of Bangladesh; Khalequzzaman Bhuiyan, convenor of the Central Committee of the Socialist Party of Bangladesh; Nir Mal Sen, general secretary of the Central Committee of the Socialist Party of Workers and Peasants of Bangladesh; Sheik Hasina, chairman of the Awami League of Bangladesh; Montri Pongpanich, leader of the Socialist Action Party of Thailand; Chaovarat Yongchaiyut, leader of the New Aspiration Party of Thailand; Udorn Tantisuntorn, general secretary of the Righteous Force Party of Thailand; Chaudhry Hamid Nasir Chattha, president of the Pakistan Muslim League; Yacob Zayadine, general secretary of the Central Committee of the Jordanian Communist Party; Talal Hafun Ala Mai, general secretary of the People's Unity Party (Unionist) of Jordan; Indrajit Gupta, general secretary of the National Council of the Communist Party of India; H.S. Surjeet, general secretary of the Central Committee of the Communist Party of India (Marxist); Sushil Kumar Shinde, general secretary of the Indian National Congress Party (I); Tridib Chaudhry, general secretary of the Revolutionary Socialist Party of India; Chitta Bash, general secretary of the Central Committee of the All-India Forward Bloc of India; Megawati Sukarnoputri, chairman of the Indonesian Democratic Party; Harmoko, chairman of the Central Committee of the Ruling Golkar Party of Indonesia; Alhaji Adam Bukhari Ziblim, general secretary of the National Convention Party of Ghana; El Hadj Boubacar Diallo, general secretary of the Party for Unity and Progress of Guinea; Emanuel Rakotobahiny, chairman of the National Union for the Development and Democracy of Madagascar; Didier Ratsiraka, general secretary of the Action for the Renaissance of Madagascar; Mohamedoun Dicko, secretary general of the Executive Committee of the African Party for the Solidarity and Justice of Mali; Charles Mukasi, chairman of the Central

Committee of the Burundi Party of Unity for National Progress; Ali Houdou, secretary general of the Party of Revolution of Benin; Emile Kibala Bey a Nsien, national chairman of the Workers' Party of Zaire; Otete Gaston Mboyo, national chairman of the National Movement of the Genuine Lumumbist Combatants of Zaire; Horace Kolimba, general secretary of the Revolutionary Party of Tanzania; Laurent Dona- Folongo, secretary general of the Democratic Party of Cote d'Ivoire; Moukoueke Cristophe, general secretary of the Pan-African Union for the Social Democracy of the Congo; Gerard Francois Yandza, chairman of the African Socialist Movement of the Congo; Amoussouvi Vignik Amedegnato, general secretary of the Togolese People's Rally; Mohamed Bel Hadj Amor, general secretary of the People's Unity Party of Tunisia; Mohamed Harmel, secretary general of the Renovation Movement Party of Tunisia; Khaled Bensmain, secretary general of the Movement for Democracy in Algeria; Lopo Fortunato Ferreira Do Nascimento, secretary general of the Central Committee of the Popular Liberation Movement of Angola; Youssef Amin Wali, general secretary of the Egyptian National Democratic Party; Eriya Kategaya, national political commissar of the National Resistance Movement of Uganda; Llewelyn John, leader of the People's Democratic Movement of Guyana; Nanda Gopaul, leader of the Labour Party of Guyana; Peter Persaud, leader of the Amerindian Action Movement of Guyana; Leslie Ramsammy, leader of the United Republican Party of Guyana; Terence A. Marryshow, political leader of the Maurice Bishop Patriotic Movement of Grenada; Daniel Ortega Saavedra, secretary general of the Sandinist National Liberation Front of Nicaragua; Eli Altamirano, general secretary of the Central Committee of the Communist Party of Nicaragua; Gustavo Tablada Celaya, chairman of the Nicaraguan Socialist Party; Adolfo Jarquin, chairman of the Social Democratic Party of Nicaragua; General Secretary Leopoldo Grullon and International Secretary Felipe Baez of the Central Committee of the Dominican Communist Party (Marxism-Leninism); Ivan Rodrigues, chairman of the Central Committee of the Dominican Party of Working People; Miguel Mejia, secretary general of the Central Committee of the United Left Movement of Dominica; Sam Marcy, chairman of the Workers World Party of the United States; Jack Barnes, national secretary of the Socialist Workers' Party of the United States of America; Indalicio Sayago Herrera, general secretary of the Central Committee of the Socialist People's Party of Mexico; Jorge Ibanez Castro, first secretary of the Central Committee of the Bolivian Communist Party; Claudio Campos, secretary general of the Central Committee of the October 8 Revolutionary Movement of Brazil; General Secretary Trino Melean and President Pedro Ortega of the Central Committee of the Communist Party of Venezuela; President Argelia Raya and International Secretary Jorge Valero of the Movement to Socialism of Venezuela; President Radames Larazabal and General Secretary Manuel Urbina of the Patriotic Union of Venezuela; Hardial Bains, national leader of the Communist Party of

Canada (Marxism- Leninism); Vincent Cabrea, acting leader of the February 18th Movement of Trinidad and Tobago; Alvaro Vasquez Del Real, general secretary of the Central Committee of the Communist Party of Colombia; Chairman Ricardo Losada Valderrama and International Secretary Fernando Sanchez and Press Secretary Jose Duviel Vasquez Arias of the Liberal Change Movement of Colombia; Ananias Maydana Palacios, general secretary of the Central Committee of the Communist Party of Paraguay; Chairman Victor Sanchez Bilagra and General Secretary Ricardo Esti Garribia of the February Revolutionary Party of Paraguay; General Secretary Renan Raffo Munoz and International Secretary Guillermo Herrera Montecinos of the Central Committee of the Peruvian Communist Party; General Secretary Guzman Rivera Castaneda and Organisational Secretary Carlos Burgos Ribera and International Secretary Luis Flores Silva of the Revolutionary Socialist Party of Peru; Habier Dies Kansseco, general secretary of the Mariateguista United Party of Peru; President Angel Castro Lavarello and General Secretary Tani Valer Lopera of the National Executive Committee of the Left Revolutionary Union of Peru; Denzil Douglas, leader of the St. Kitts-Nevis Labour Party; Patricio Echegaray, general secretary of the Central Committee of the Communist Party of Argentine; Rigoberto Padilla Ruz, general secretary of the Central Committee of the Communist Party of Honduras; Marina Arismendi, executive general secretary of the Central Committee of the Communist Party of Uruguay; Riber Seregni, chairman of the Large Front of Uruguay; Hugo Batalla, general secretary of the Party for the Government of the People of Uruguay; Reinaldo Gar-gano, secretary-general of the Socialist Party of Uruguay; Ruben Maria Vera, chairman of the March 26 Movement of Uruguay; Rene Mauge Mosquera, general secretary of the Central Committee of the Communist Party of Ecuador; Betty Frydensbjerg Carlsson, president of the Communist Party of Denmark; Klaus Riis, chairman of the Central Committee of the Communist Party of Denmark (Marxist-Leninist); Rolf Priemer and Heinz Stehr, co-chairmen of the German Communist Party; Nina Andreyeva, general secretary of the Central Committee of the All-Union Bolshevik Communist Party; Victor Anpilov, chairman of the Executive Committee of the "Working Russia" Movement; V.V. Zhirinovsky, chairman of the Liberal Democratic Party of Russia; V. Tulkin, first secretary of the Central Committee of the Communist Workers' Party of Russia; Victor Voichita, chairman of the Romanian Party for New Society; Ilie Verdet, president of the Socialist Workers' Party of Romania; Vladimir Spasov, first secretary of the Central Committee of the Communist Party of Bulgaria; Ludo Martens, chairman of the Central Committee of the Belgian Labour Party; Jean Spielmann, national president of the Workers' Party of Switzerland; Rolf Hagel, chairman of the Workers' Party-Communists of Sweden; Miroslav Grevenicek, chairman of the Central Committee of the Czechy-Morava Communist Party; Timo Lahdenmaki, chairman of For Peace and Socialism-the

Communist Workers' Party of Finland; Andreas Papandreou, president of the Panhellenic Socialist Movement; Blasco Hugo Fernandes, chairman of the National Guidance Committee of the Democratic Intervention of Portugal and chairman of the Executive Committee of the Portugal-Korea Friendship Association; Zbigniew Wiktor, chairman of the National Executive Committee of the Polish League of Communists "Proletariat"; Maurizio Ratani, general secretary of the Socialist Party of San Marino; General Secretary James Stewart and International Secretary Eoin O'Murku of the National Executive Committee of the Communist Party of Ireland; Eric Trevett, general secretary of the Central Committee of the New Communist Party of Great Britain; Branko Kitanovic, general secretary of the New Yugoslav Communist Movement; Dragomir Draskovic, president of the National Committee of the League of Communists-Movement for Yugoslavia; Roberto Gabriele, general secretary of the Movement for Peace and Socialism of Italy; and Enrico Perry, secretary general of the Italian Social Democratic Party who is a member of the European parliament.

In the reply messages, Comrade Kim Chong-il expressed wholehearted thanks to them for expressing deep condolences over the death of President Kim Il-song.

#### **Central Committee Replies to Foreign Condolences**

*SK1108105594 Pyongyang KCNA in English 1014  
GMT 11 Aug 94*

[All names as received]

[Text] Pyongyang, August 11 (KCNA)—The Central Committee of the Workers' Party of Korea sent messages to foreign parties and party leaders in reply to their messages of condolence on the death of the great leader President Kim Il-song.

The replies were sent to Vishnu Bahadur Manandar, general secretary of the Central Executive Committee of the Nepal Communist Party (United); Hasanul Huq Inu, general secretary of the Central Executive Committee of the Bangladesh National Socialist Party; Rashed Khan Menon, general secretary of the Central Committee of the Workers' Party of Bangladesh; Khaled Bagdash, general secretary of the Central Committee of the Communist Party of Syria; Youssef Faisal, general secretary of the Central Committee of the Syrian Communist Party; K.P. Silva, general secretary of the Central Committee of the Sri Lanka Communist Party; the Central Committee of the Sri Lankan Freedom Party; Dogu Ferincek, chairman of the Workers' Party of Turkey; Vassos Lyssarides, chairman of the Central Committee of the Socialist Party of Cyprus; the Central Committee of the Progressive Party of the Working People of Cyprus; the Central Committee of the People's Democratic United Party of Jordan; the National Executive Committee of the Lesotho National Party; Ali Yata, general secretary of the Moroccan Progress and

Socialism Party; Mamadou el Bechir Gologo, secretary general of the National Direction Committee of the Sudanese Union-African Democratic Rally in Mali; Feliciano Salomao Gundana, secretary general of the Central Committee of the Mozambique Liberation Front Party; Leons Ntikumana, secretary general of the National Guidance Committee of the Front for Democracy in Burundi; Idrissa Zampaligre, general secretary of the Socialist Democratic Movement of Burkina Faso; Inoussa Bello, general secretary of the National Workers' Party of Benin; Lambert Mende Omalanga, national chairman of the Lumumba Congolese National Movement-Original of Zaire; Augustin Kikukama Binsamba, secretary general of the Lumumbiste Pacificists and Liberators of Zaire; the Central Committee of the Congolese Party of Labour; the Political Bureau of the Progressive Socialist Rally of Tunisia; Abdel Hamid Mehri, secretary general of the Central Committee of the Algerian National Liberation Front; Honorato Lando, chairman of the Liberal Democratic Party of Angola; the Central Executive Committee of the People's National Congress of Guyana; Christian Celeste, general secretary of the Central Committee of the Communist Party of Guadeloupe; Jose Gonzalez Espinosa, chairman, and Esteban Diaz Jaquez, secretary general, of the Central Committee of the Dominican Labour Party; the National Direction of the Camanista Revolutionary Unity of Dominica; Gus Hall, national chairman of the Communist Party of the United States of America; the Central Committee of the Brazilian Communist Party; Pablo Medina, general secretary of the Radical Cause of Venezuela, the Central Committee of the Communist Party of Chile; Eduardo Mora Valverde, coordinator of the Central Committee of the People's Party of Costa Rica; the Central Committee of the People's Party of Panama; Alberto Moreno, general secretary of the Central Committee of the Communist Party of Peru (Red Motherland); the National Leadership of the Revolutionary Workers Party of Uruguay; Peter Symon, general secretary of the Central Committee of the Socialist Party of Australia; the Central Committee of the Norwegian Communist Party; Sulbeig Omdal, chairman, and Arn-Ijok Ask, international secretary, of the Central Committee of the Workers Communist Party of Norway; Preben Moller Hansen, chairman of the Danish Workers' Party, Common Cause; Werner Schulwese, chairman, and Hans Wauer and Michael Koth, vice-chairmen, of the Central Committee of the Communist Party of Germany; the Council of the Union of Communist Parties-the Communist Party of the Soviet Union; the Central Executive Committee of the Russian Party of Communists; the Central Executive Committee of the Communist Party of the Russian Federation; the Central Council of the Agricultural Party of Russia; Anthony Vassalo, general secretary of the Central Committee of the Communist Party of Malta; the Bulgarian Communist Party (Marxists); the Renewal Communist Party of Bulgaria; the Workers and Peasants Party of Bulgaria; Jean Videnov, chairman of the Supreme Council of the

Bulgarian Socialist Party; Roger Gailliez, general secretary of the Belgian Socialist Party (Wallon); Luc Willems, secretary general of the Christian People's Party of Belgium; Anjuska Weil, chairman of the Leadership Committee of the Workers' Party of Switzerland; Frank Baude, chairman of the Central Committee of the Communist Party-KPML(R) of Sweden; the Central Committee of the Communist Party of Slovakia; the Secretariat of the Central Committee of the Communist Party of Finland (Unity); the Central Committee of the New Communist Party of the Netherlands; the Central Committee of the Panhellenic Socialist Movement; Harilaos Florakis, honorary chairman of the Communist Party of Greece; M.P. Korolkov, chairman of the Coordinating Council of the Central Committee of the Communist Party of Kazakhstan; the Political Executive Committee of the Socialist Party of Kazakhstan; Sh. Shabdolov, chairman of the Central Committee of the Communist Party of Tajikistan; the Secretariat of the Central Committee of the Communist Party of Portugal; the Supreme Board of the Social-Democracy of the Polish Republic; Marian Donnelly, president, Pat Quearney, general secretary, and Sean Garland, executive member and national chief of finance, of the Irish Workers' Party; Pyotr Simonenko, first secretary of the Central Committee of the Ukrainian Communist Party; the Central Committee of the Hungarian Workers' Party; the Federal Committee of the Spanish Communist Party; Juan Ramos, general secretary of the Communist Party of the Peoples of Spain; and Maria Pere, general secretary of the Central Committee of the Catalonia Communist Party of Spain.

The reply messages expressed sincere thanks to them for their deep condolences on the death of President Kim Il-song.

#### **Kim Il-song Awarded Mediterranean Order**

*SK1108051294 Pyongyang KCNA in English 0420  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—The great leader President Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea, was awarded the first class of the Order of the Organization of Socialists in the Mediterranean.

The order was handed to the Korean ambassador to Libya by the director of the Administrative and Financial Bureau of the permanent secretariat of the organization on its behalf, according to a decision of the plenary meeting of the secretariat which was held on July 17 upon hearing the sad news of the death of President Kim Il-song.

The organization had decided to award this order to President Kim Il-song on his birthday at a plenary meeting of the permanent secretariat on February 9, 1993.

The decision highly praised the efforts and great feats of President Kim Il-song for the strengthening and development of the socialist movement and its victory and for

peace and security of the world and said the organization was awarding the order in high appreciation of his enormous exploits.

#### **Foreigners Pay Respects at Kim Il-song Statue**

*SK1108051794 Pyongyang KCNA in English 0416  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—Alhassane Balde, adviser to the presidential office of Guinea, and his entourage and Oliviero Diliberto, member of parliament, member of the leadership and secretariat of the Communist Re-establishment Party of Italy and president of Liberazione, the organ of the party, and his companion on a visit to Korea went to the statue of the great leader President Kim Il-song on Mansu Hill in Pyongyang and honored his memory on Wednesday.

They laid wreaths before the statue of President Kim Il-song and observed a moment's silence.

Alhassane Balde said that he expressed deep condolences on the death of President Kim Il-song, the most prominent man in the world, in the name of the Guinean Government and people, authorized by President Lansana Conte.

"He established an excellent system in Korea, indicating the path ahead of the world's peaceloving people including the Guinean people," the Guinean guest said. "The world envies Korea her prosperity, and is striving to learn from Korea."

Oliviero Diliberto said: "It is a month since President Kim Il-song passed away, but we can hardly repress the pains at the loss of the great man. We wish the Korean people new success under the wise guidance of their illustrious leader."

The delegation of the preparatory committee for the 18th national meeting of Japanese Teachers for the Study of the Chuche Idea led by Masao Uchida and the delegation of the Marukan Fisheries Company, Ltd. of Japan led by Hiroshi Koto laid wreaths before the statue of President Kim Il-song and observed a moment's silence.

#### **People, Soldiers Visit Kim Il-song's Statue**

*SK1108105694 Pyongyang KCNA in English 1020  
GMT 11 Aug 94*

[“President Kim Il-song Inseparable From People”—KCNA headline]

[Text] Pyongyang, August 11 (KCNA)—People of all walks of life and officers and men of the Korean People's Army have visited the statue of the respected leader President Kim Il-song standing on Mansu Hill every day with deep reverence and honored his memory upon the lapse of one month since his death.

The largest number of people visited the statue from 6 P.M. on August 7 to 6 A.M. on the 9th. During the 36 hours more than 1,108,000 people and soldiers came to the statue and 637 wreaths and more than 62,000 bouquets of flowers were laid before it.

An endless stream of people flowing to the statue clearly shows that President Kim Il-song and our people are inseparable from each other and he is always with them.

The visitors were collectives, individuals and families. Among them were white-haired old folks and kindergarten children led by their parents.

From 6 P.M. on August 8 to midnight not only the education ground, steps and parking lot around the statue but also the Moranbong Youth Park, the vicinity of the children's department store and the Ognu bridge far from the statue were packed to overflowing with people who were waiting for their turn to observe a silent tribute. Now and then, the rain poured and the wind blew hard. But they climbed the steps in perfect order and observed a silent tribute before the statue of the fatherly leader and vowed to always remain faithful to the dear leader Comrade Kim Chong-il, holding him in high esteem at the top of our party, the state and the Army.

The Syrian ambassador to Korea, who had visited the statue of President Kim Il-song twice to express deep condolences after his death, came to the statue again with a bouquet of flowers he prepared with much care upon the lapse of one month.

More than 350 foreigners including the visiting friendship delegation of the Belgium-Korea Solidarity Committee, a Chinese children's visiting group and many other delegations and visiting groups from different countries laid wreaths before the statue and observed a silent tribute.

#### Increase in Timber Production Reported

*SK1108105794 Pyongyang KCNA in English 1023  
GMT 11 Aug 94*

[Text] Pyongyang, August 11 (KCNA)—The lumberjacks under the Ministry of Forestry of Korea are effecting a great innovation in production these days.

The forestry stations of the country have increased the timber production 3.9 times in the latest 20 days as against the previous corresponding period.

The stations under the Chagang Provincial General Forestry Bureau surpassed by far the July assignments set 27.5 percent higher than the same month last year. In August, they are overfulfilling their daily quotas more than 50 percent.

Remarkable achievements have been reported in rafting, too.

According to data available at the ministry, the amount of logs rafted in recent 30 days is tens of thousands cubic metres more than in the same period last year.

#### South Korea

##### U.S. Expresses 'Concern' Over Security Law

*SK1108015394 Seoul KBS-1 Radio Network in Korean  
0100 GMT 11 Aug 94*

[Report by Washington-based correspondent Kim In-kyu]

[Text] The United States issued a special statement today expressing concern over the possibility of the ROK Government infringing upon human rights by the excessive application of the National Security Law. In a special statement issued this morning Korean time, the U.S. State Department called attention to the fact that the U.S. Government has on a number of occasions expressed concern over the possibility of the ROK's National Security Law infringing upon human rights, and noted that the ROK Government has recently been applying the National Security Law to arrest some students and people.

The U.S. State Department statement, noted, in particular, that the statement makes clear that the United States maintains a consistent position that it wishes the ROK to abolish or revise the National Security Law. The statement stressed that the ROK continues to keep the National Security Law in force despite the fact that it has successfully achieved democratization through the establishment of a government by free elections and has strong opposition parties that do not hesitate to criticize the government and an active National Assembly.

It was learned that the U.S. State Department issued the statement today because the NEW YORK TIMES recently made an issue of the ROK's National Security Law in an editorial.

##### Security Law 'Internal Affair'

*SK1108062794 Seoul YONHAP in English 0621 GMT  
11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—South Korea, reacting to U.S. comments about repealing Seoul's National Security Law, stated firmly Thursday that the law is necessary and any decision on abolishing it is an internal affair entirely up to the South Korean government.

"Considering the reality of South-North Korea division, we believe that we need the National Security Law," said a press guidance issued by the Foreign Ministry here, "the issue of abolishing it is our own internal affair that we should decide on."

While it is true that the law was abused in the past by authoritarian regimes, the newly-born civilian government has applied it very restrictively only on cases that violate the basic social order, it said.

The comments were given as an immediate reaction to a U.S. State Department press guidance that noted number of South Korean students were arrested recently in Seoul for violating the security law, which prohibits any unauthorized contact with or sympathy acts for North Korea.

A speech by U.S. deputy assistant secretary of state last February urging repeal of the South Korean law caused a serious controversy in Seoul.

**Quotation of U.S. Paper 'Shameful'**

*SK1108092794 Seoul MUNHWA ILBO in Korean  
11 Aug 94 p 3*

[From the "Lounge in Political Street" column]

[Text] The Democratic Party [DP] launched a full scale denunciation of the wholesale investigation of dissident forces, including the chuche idea faction, by the prosecutors office, branding it an attempt to create "a new security-oriented political situation." Regarding this, the Democratic Liberal Party [DLP] on 11 August strongly refuted the DP denunciation in a spokesman's statement.

DLP spokesman Pak Pom-chin pointed out that "if the DP claims that its allegation is just, the government should merely sit idle during pro-North Korea activities benefiting the enemy. The DP should refrain from politically offensive criticism against the government, exercising its unique rights and fulfilling its responsibility, and should calmly observe the court's final decision."

Spokesman Pak refuted DP's denunciation of the government using a quotation from a THE NEW YORK TIMES editorial, by stressing that "quotation of an editorial of a foreign newspaper pertaining to our nation's domestic affairs as if it is the golden rule is a shameful act making people think our nation is a colony of a certain country."

**Legislators React to Suggestion**

*SK1108112194 Seoul YONHAP in English 1111 GMT  
11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—Lawmakers of the Assembly Foreign Affairs and Unification Committee on Thursday reacted mostly against the reported reiteration by the U.S. State Department on Wednesday of a call for the repeal or modification of Korea's National Security Law.

Rep. Kim Tong-kon of the ruling Democratic Liberal Party [DLP] said, "even if the report is true, it deserves not the slightest consideration."

He said it is unthinkable that the United States tries to link "purely our domestic issue" to the third-round U.S.-North Korea talks at this time when "we are raising an issue out of North Korea's human rights situation."

Rep. Pak Sil of the opposition Democratic Party [DP] said, "this attitude of the United States may be taken as the presentation of a friendly opinion. Basically, however, this is an act of interference in our internal affairs."

Pak stressed that the National Security Law, which he said is designed to ensure public peace and order in the country, can be revised only through bipartisan agreement.

Another DLP solon, An Mu-hyok, said it is not proper to repeal or modify the National Security Law in a circumstance where North Korea does not change its strategy to communize the South.

"However, parts of the security law provisions which are prone to infringe on human rights can be supplemented through bipartisan agreement," An said.

On the other hand, Rep. Yim Chae-chung of the DP said, "This action of the United States can be regarded as a friendly advice rather than an act of interference in our internal affairs."

Reports from Washington indicated that the State Department, expressing concern about arrests in South Korea on charges of violating the National Security Law, said in a special statement there is no change in the U.S. posture that the security law should be repealed or modified.

**DP Spokesman Issues Statement**

*SK1108144294 Seoul KBS-1 Radio Network in Korean  
1400 GMT 11 Aug 94*

[Text] Pak Chi-won, spokesman of the Democratic Party [DP], today issued a statement commenting on criticism from the Democratic Liberal Party [DLP] that his quotation of a THE NEW YORK TIMES editorial was a flunkeyist idea. DP spokesman Pak stressed that the DLP should show a clear attitude on the statement of the U.S. State Department revealing the position that the National Security Law should be abolished or revised.

Spokesman Pak pointed out that the DLP should reflect on the government's attitude in the past before commenting about the idea of colonialism and so forth, and should make efforts to grasp the trend of international politics.

**DPRK Shows 'Disagreement' to U.S. Proposal**

*SK1108033194 Seoul KBS-1 Radio Network in Korean  
0232 GMT 11 Aug 94*

[Text] A diplomatic source in Seoul said that during the third round of U.S.-North Korean talks now being held in Geneva, North Korea expressed a position of strong disagreement [kanghan pandae ipchang] with the U.S. proposal demanding that nuclear transparency be guaranteed first, and that the two sides are now coordinating each other's positions regarding it.

The source said: The U.S. and North Korean sides have held three contacts between their delegates and working-level officials from 5 August to date. The two sides had narrowed their differences in many areas by coming to an agreement in regards to the supply of a Korea-model light-water reactor and the temporary disposal of fuel rods during the contacts. However, in response to the U.S. side's proposal that North Korea should take the first steps to guarantee its nuclear transparency, such as returning to the Nuclear Nonproliferation Treaty, the North Korean side said that it would pursue the construction of a light-water reactor simultaneously with its steps to guarantee nuclear transparency.

#### **U.S., DPRK Begin Experts Meeting in Geneva**

*SK1008232594 Seoul KBS-1 Radio Network in Korean  
2100 GMT 10 Aug 94*

[By KBS special coverage team from Geneva]

[Text] The United States and North Korea, which are holding the third round of their high-level talks, have started an experts meeting for a final solution to the nuclear problem.

Following the third plenary session and core delegates meeting that began yesterday evening, Korean time, the United States and North Korea entered an experts meeting for specific and technical discussions. The experts meeting will continue today.

It seems that the sides started the experts meeting after suspending the plenary session because they had reached an agreement in principle [wonchikchogin habui] on the nuclear issue. Accordingly, in the experts meeting they are reportedly being discussing technical problems regarding the extension of the storage term of nuclear fuel rods and a concrete method for assistance in building light-water reactors.

Prior to this, the U.S. mission released a brief statement saying: An expert meeting will be held, if necessary, and the plenary session of all delegates will be resumed according to the result of working-level discussions.

The statement did not reveal whether the expert meeting would be held on nuclear technology or on legal problems.

#### **U.S. Diplomatic Mission Discusses Geneva Talks**

*SK1108024794 Seoul YONHAP in English 0237 GMT  
11 Aug 94*

[Text] Geneva, Aug. 11 (YONHAP)—High-level officials of the United States and North Korea have agreed to hold an expert meeting Thursday [11 Aug] to settle the dispute over Pyongyang's nuclear program, indicating they already neared an agreement on major issues pending between the two countries.

The U.S. diplomatic mission here said on Wednesday in a brief statement that both sides resumed the third-day

session of the talks in the morning and chief delegates continued it through a working lunch.

The statement disclosed that the talks would continue through Thursday at expert level in accordance with its need and a full-fledged session would be called according to the results of the working-level consultations.

The expert meeting slated for Wednesday evening was not held as scheduled, but it will be held Thursday.

The statement, however, did not give any explanation on the nature, agenda items and venue of the expert meeting.

A diplomatic source here said the meeting would be a get-together of working-level representatives from both parties to consult detailed items, pointing out that experts in specific fields are not attending the plenary talks.

During Wednesday's meeting, both sides continued their negotiations over the new North Korean proposals put forward on Monday regarding the issues of external support for the change of its nuclear reactor to a light-water model and the spent fuel rods discharged from the 5-megawatt nuclear reactor in Yongbyon.

North Korea had asked for American compensations including the assistance for the construction of the light-water reactor system in return for freezing the graphite-moderated reactor program, which is now under progress.

In Thursday's working-level meeting, the two sides are expected to discuss in detail ways to provide technical and financial assistance for the construction of the light-water reactor. They have reportedly agreed in principle that an international consortium would be organized to provide a South-Korean model nuclear reactor to North Korea.

They are also likely to agree that North Korea would keep the spent fuel rods at dry storage under the condition that they should not be reprocessed. They are expected to consult on the dispatch of an American technical team to North Korea to help Pyongyang improve the quality of the cooling pond in which the withdrawn rods are kept.

Meanwhile, the U.S. Mission's statement forecast the incumbent meeting between the two countries would be completed before Friday. But other diplomatic sources say the next meeting is likely to be held in two or three weeks.

#### **Security Meeting Held To Assess Geneva Talks**

*SK1108045094 Seoul KBS-1 Radio Network in Korean  
0413 GMT 11 Aug 94*

[Text] This morning, the government held a meeting of the Unification and National Security Policy Coordination Council chaired by Yi Hong-ku, deputy prime

minister and minister of the National Unification Board, to assess the interim outcome of the third round of North Korean-U.S. talks and discuss future measures.

It has been learned that during today's meeting, the government decided to positively examine the North Korean side's demands that North Korea be provided with appropriate compensation [sangunghanun posang], including support for building a light-water reactor, in return for its freezing of a graphite-moderated reactor program and supply of substitute energy.

**Experts Find DPRK Rods Storage Insufficient**  
*SK1008234794 Seoul KBS-1 Radio Network in Korean 2200 GMT 10 Aug 94*

[By Cha Man-sun from Vienna]

[Text] It seems that the method of keeping used fuel rods dry [pyeyollyobongui konjo pogwan pangsik], which has reportedly been suggested by North Korea, cannot eliminate the danger of radiation, nuclear experts said.

Nuclear experts of the International Atomic Energy Agency [IAEA] said that the some 8,000 fuel rods kept by North Korea in water tanks had begun to erode. Then, they expressed concerns by saying: The erosion may cause a leakage of radiation or flames.

They also said: The burial of used fuel rods in concrete containers, as North Korea insists, would not take much time. However, it would take time to dry the fuel rods and build dry facilities [konjo sisol] for preserving them.

An IAEA official noted that it would be difficult to keep the used fuel rods estimated to be 50 tonnes in a small dry facility in Yongbyon, North Korea. Diplomats in Vienna said: Accordingly, the United States and other Western countries are studying methods to send dry facilities and high-tech equipment to North Korea as soon as possible.

**Foreign Minister Meets With U.S. Commander**  
*SK1108064294 Seoul YONHAP in English 0629 GMT 11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—Visiting U.S. Pacific Forces Commander Richard Macke called on Foreign Minister Han Sung-chu Thursday and shared discussion on security situation on the Korean peninsula.

Macke, visiting Seoul from Tuesday, flew in from Tokyo as part of his field trip to the region after his appointment to the commander post last month.

He met with President Kim Yong-sam and Defense Minister Yi Pyong-tae.

Han and Macke discussed the latest developments on the Korean peninsula, especially the North Korean nuclear situation, and on promotion of security relations between South Korea and the United States, ministry officials said.

### **U.S. Agrees To Ease Control on ROK Exports**

*SK1108042294 Seoul YONHAP in English 0408 GMT 11 Aug 94*

[Text] Seoul, August 11 (YONHAP)—The United States has agreed to ease its control on South Korea's export to third countries of defense items produced in South Korea based on American technology.

The United States has also agreed to positively support a joint development of training aircraft for South Korea's KTX-2 project involving next generation combat aircraft within the bounds permitted by the law of the two countries.

These accords were reached at the sub-committee sessions of the South Korea-U.S. Security Consultative Meeting (SCM) which were held at the U.S. Pacific Command headquarters in Hawaii Tuesday and Wednesday, according to the Defense Ministry Thursday.

The two countries have also committed themselves to a joint effort toward extending until 1995 the repair and maintenance services the Korean Air (KAL)'s Kimhae maintenance depot provides for U.S. military aircraft in the Pacific. They are also to promote the conclusion of a bilateral agreement aimed at extending such services beyond 1995 so long as South Korea bears a portion of American defense expenditures in Korea.

Since 1979 the U.S. military has sent to Kimhae maintenance depot 90 aircraft per annum on average for repair and maintenance, accounting for about 60 percent of the depot's workload. On account of a military budget cut, however, the U.S. military has promoted shifting its aircraft to homeland maintenance depots since early this year.

**PRC Journal Cited on Nodong Missile Accuracy**  
*SK1108103794 Seoul YONHAP in English 1024 GMT 11 Aug 94*

[Text] Beijing, Aug. 11 (YONHAP)—North Korea-developed "Nodong 1" medium-range missiles have higher accuracy than Scud missiles produced by the former Soviet Union, a monthly Chinese military journal, "MODERN WEAPONS," said in its latest issue distributed Thursday.

The journal published by the 210th institute of the Chinese munitions industry said that in emergency the missiles would be capable of delivering nuclear warheads equivalent to 50,000 tons of TNT or nerve gas shells.

Quoting military experts, the monthly said that during a test fire last May, one of the missiles fell in the East Sea about 500 km from the launching site.

But, it said, the range was deliberately cut short in the test so as to keep information on its actual performance from foreign watchers.

The actual range of the missiles appears to be 800 to 1,000 km, the journal said.

Saying that Japan is most concerned about the development of the "Nodong 1" missiles, the magazine said a Japanese military mission asked the United States to deploy a sophisticated high-altitude air defense system in Japan by 1996 during its visit to Washington last December.

### DPRK-Born Drug Ring Teacher Seeks Asylum

*SK1108063894 Seoul YONHAP in English 0626 GMT 11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—A North Korean-born refugee who was involved in drug trade in Myanmar [Burma] will resettle in South Korea with his family after his arrival here Friday morning.

Mun Chung-il, 56, his wife and two children flies in to Seoul at 9 AM Friday [0000 GMT 12 August] from Thailand where he and his family smuggled into last February.

Mun was born in North Korea in 1938 and moved to China in 1941 where he lived until 1989. He then moved to Myanmar where he got involved with "Kansa" drug ring and made his living as Chinese instructor.

He claims that he escaped from China after he was linked to the Tiananmen Square revolt in 1989.

His Korean identity was discovered by a South Korean weekly in December last year, placing Mun and his family under suspicion, leading to their flight to Thailand and request for resettlement in South Korea.

The UN High Commissioner for Refugees, on request by the Foreign Ministry, took up Mun's case and categorized him as a refugee, allowing him and his family to legally enter South Korea.

### \*Nation Needs 'Positive Nuclear Policy'

*Seoul SINDONG-A in Korean Jul 94 pp 164-175*

[By Kim Tae-u, director of the Peace Strategy Research Center: "ROK Has No Alternative But To Regain Its 'Sovereignty in Nuclear Policy'"]

[Excerpts] The time has come for us to end a nuclear policy that has abandoned the effort to help ourselves. We should not allow ourselves to stand uncovered against the winds from the United States and North Korea, which sway back and forth. The best way to improve relations with North Korea and to prevent war is for us to regain our sovereignty in nuclear policy. [passage omitted]

On two occasions in early June in his telephone conversations with President Clinton, President Kim Yong-sam reemphasized the importance of ROK-U.S. cooperation over the issue of sanctions against North Korea. He

also sought Russia's and China's cooperation. The president also convened the National Security Council for the first time since he took office. In addition, he frequently called in unification- and national security-related ministers to show his tough stand on the North Korean nuclear issue.

Strictly speaking, however, the issue of inspection of the North Korean nuclear facilities is not the only important segment of the nuclear issue. Of late, in connection with the nuclear issue, there have been very grave developments, unfolding simultaneously, on the Korean Peninsula and in regions adjacent to it, bringing careful observers to realize that our nuclear policy should not be left as is. It is for this reason that I say it should be reformed. [passage omitted]

### Let's Put On Our "Armor" As They Did

Once you come to know the true nature of the dispute between the United States and North Korea, you will realize that whatever we say has no bearing on what Washington decides about sanctions against North Korea. At any rate, it remains an issue to be decided by the United States. Then, why should we put our nose in just to give North Korea a pretext for a retaliation against us? Why should we commit ourselves to something that will worsen our relations with the North? A cool-headed self-examination is needed for an answer.

It is problematic indeed that after giving up—under U.S. pressures—everything that could have given us bargaining power with the North, we now talk about a hard-line policy. We simply echo Washington's hard-line policy as if it were ours. It is a mere show-off for domestic political purposes, rather than a pursuit of the best national interest. The plight we find ourselves in today has something to do with the question of sovereignty in nuclear policy. If we were clad in what can work as an "armor," there will be no reason for such restlessness. Frankly, the ROK-U.S. cooperation so far has left nothing but a "void" behind.

The substance of my argument for sovereignty in nuclear policy is that our current nuclear policy—in which we, after being stripped naked by the United States, say to North Korea "brothers, you should take it off as we did"—should be replaced with one calling for "both North and South Korea to be clad in armor." It is that, rather than trying to strip North Korea of what it already wears, we should instead join them by putting on our own armor to meet the immediate need for filling a security vacuum and at the same time to prepare for a post-unification Korea. The limit will be "short of a nuclear arming." We cannot afford to disregard the international reality that even if North Korea has nuclear weapons, we cannot follow suit and arm ourselves the same way. This means that our only option is to develop the peaceful use of nuclear energy to a maximum degree or, in other words, to promote the utilization of atomic power to advanced levels. To be exact, it points to a model set by Japan, it can be said.

This course is consistent with "internationalism" because it is feasible within the scope permitted by the Nuclear Non-Proliferation Treaty (NPT). It is a "nationalistic" choice because it seeks to avert an anti-national situation that will leave only the Korean nation stripped of their armor and surrounded by big powers and Japan, a potential nuclear power.

The sovereignty-in-nuclear-policy theory pursues both interests, national security and unification. It gives North-South Korea relations greater flexibility. While North Korea hangs on to its nuclear facilities as a matter of life and death, which would make dialogue with it easier—demanding that it abandon its reprocessing facility or just asking for transparency and for accepting inspections as a way to bring it to agree to "partnership in the possession"? Which should be more nationalistic and future-oriented—continuing the present state in which we are in fact unable to do anything for ourselves while demanding North Korea to dismantle its nuclear facilities, or North and South Korea pursuing joint nuclear industry development as partners insofar as its economic legitimacy warrants while accepting inspections together?

If North Korea has nuclear capability and we don't, it will, needless to say, create a security vacuum and, furthermore, bring no change in North Korea's impudent attitude in seeking dialogue only with the United States, excluding us.

#### Justness of Regaining Sovereignty in Nuclear Policy

The main point of this theory is that not only the Korean Peninsula but also all the regions adjacent to it should be made nuclear-free and that they, at the same time, should be guaranteed the peaceful use of nuclear energy on a fair basis through a multilateral cooperative system. It represents a diplomatic approach to improve the present situation that imposes double and triple restrictions only discriminating against the ROK, simultaneously providing us with a stepping stone for us in demanding the denuclearization of East Asia.

The theory calling for sovereignty in nuclear policy is being denounced as one which advocates nuclear arming. Also, many people insist that "if you talk about reprocessing, you are in for trouble," solely because the reprocessing facility is a facility needed to build nuclear weapons.

The reprocessing facility is indispensable to the advancement of the nuclear industry. It is indeed an object for inspection but not banned. It is a facility we also should have for ourselves someday. In light of our own national interests, why should we put it under taboo and abhor it?

The same thing can be said about denuclearizing East Asia. Such denuclearization can be achieved only by restricting the deployment of nuclear arms by nuclear powers and altering Japan's policy seeking unilateral

superiority in nuclear technology. It can indeed be compared to an attempt to get a fish from a tree. We should condemn this unfair arrangement in one voice, although we can never condemn it enough. It is sad enough that we cannot exercise our sovereignty in the nuclear policy for legitimate, peaceful purposes. In this situation, if people taboo this theory contending that it seeks nuclear arming—and without even trying to correctly understand the difference between the original sovereignty-in-nuclear-policy theory and a degenerated version of it—it could mean that we risk losing our sovereignty in nuclear policy forever, leaving not even the possibility of regaining it in the future.

As an NPT signatory, we respect the pledge of nonpossession of nuclear weapons. We should continue to do so in the future. However, it is a sacred privilege of a sovereign state to endeavor for economic prosperity within the NPT-defined framework and gain strategic potential in due course.

Now, let's take a look at the North-South issue with regards to nuclear capability. While we are caught up in the North-South Korean nuclear issue, the inequalities under the NPT emerged as a big issue in the outside world. The NPT is an unequal treaty prohibiting non-nuclear nations from possessing nuclear arms while permitting their development and deployment to the nuclear powers, and making it obligatory for non-nuclear nations—under the prohibition clause—to receive inspections by the International Atomic Energy Agency (IAEA). Nonnuclear nations resent the high-handedness of the nuclear powers. The so-called North-South issue in nuclear capability is over this inequality between the nuclear powers and nonnuclear nations. In other words, it reflects the struggle of non-nuclear nations to demand at least some compensations from the nuclear powers against their selfish, hegemonic nuclear monopoly.

At a Northeast Asia nuclear policy seminar held on 26 May under the auspices of the Korea Institute of Foreign Policy and Security, the director of the UN disarmament research institute said that "the NPT remains valid automatically regardless of consent from a majority of member nations in 1995." Thus, the first shot was fired in Korea in a North-South war of nuclear diplomacy that will have a massive impact on the international order in the future. The remark of course drew little public attention.

Quite naturally, the nuclear powers began their behind-the-scene maneuvers to obtain support of member nations for NPT extension as the treaty that legitimized their nuclear monopoly for the past 24 years will expire in 1995. As for us, we should take full advantage of this opportunity because our sovereignty in nuclear policy has, in large part, "been taken hostage" by the United States. For an unknown reason, however, the perversity of the strong has found its expression here in our land, in the announcement that the NPT "remains valid automatically even if it is not extended by the consent of a majority."

Especially frustrating is the fact that the dignity of the ROK is thoroughly lost in nuclear diplomacy. Mexico got the United States to agree to negotiations for the North America Free Trade Agreement by holding fast to its position relating to the U.S. nuclear experiment. In the ROK's case, however, it continues to sing the familiar song, "ROK-U.S. Cooperation." [passage omitted]

In a nutshell, the problem is that we do not have "ours." Things would be different if we had "our armor" firmly on. There would be no reason to be in a position of demanding tough U.S. or UN measures against North Korea as we now find ourselves doing while making ourselves a laughingstock. There would be no reason to have to plead with North Korea to "take off everything." And there would be no reason why we should deny economic cooperation. It is still not too late to regain our sovereignty in nuclear policy. Only by doing so can we be more effective in making North-South Korean relations more conciliatory and reduce tensions.

Today, to straighten out the meaning of ROK-U.S. cooperation, to respond to the North Korean nuclear issue more wisely, and—mindful of the Japanese who put the Monju fast breeder reactor into operation—to find our rightful place in the world nuclear diplomacy, there is a need for an overall review of our nuclear policy.

We should no longer stick to a hollow policy that keeps the ROK stripped and at Washington's beck-and-call. Some think that we should not consider any nuclear policy other than the current subordinate-type one, for the reason that doing so will cause friction with the United States or that such friction will give the president added pressure. My advice for them is to reexamine what makes a leader a true leader. The time has come for them to cease their hollow ROK-U.S. cooperation rhetoric which disregards the true interests of the nation.

We should now do away with a nuclear policy that has abandoned the effort to help ourselves, in the name of internationalism. This is not to say, however, that we should treat the North Koreans unconditionally as compatriots, nor to preach such idealistic nationalism. We should find a third alternative. Our nuclear policy should choose a realistic, democratic line to follow, and this should be the basic direction of our nuclear policy planning. Following are the points that should be taken into account in a nuclear policy reform based on the regaining of our sovereignty in nuclear policy:

#### **—Establish a firm outlook on North Korea.**

Now is the time for the government to take the initiative and lay down an accurate definition of North Korea. It needs to cast away the idealistic nationalism treating the North Koreans only as compatriots or the McCarthyism-type security-first doctrine seeing them only as an enemy, and to come up with a new perspective attaching balanced importance to both aspects. To recognize

North Korea as an existence with two features, "hostile state" and "partner for unification," is the starting point in the conceptualization of an internationalist-nationalist nuclear policy.

#### **—Do not support military sanctions against North Korea.**

The United States and the UN may discuss military sanctions against North Korea but there is no reason why we should side with them. The government may go ahead and show passive, Foreign Ministry-level support for the move; but generally, however, it is important to let the world know about the basic attitude of our people opposing military sanctions against North Korea. This is the way for us to reaffirm our nationalist self-reliance and to protect normal North-South Korea relations and the interests of unification despite the strained situation in North Korea.

#### **—Stop playing "chicken" with North Korea**

In a "game of chicken," a group of boys put their courage to the test while girls are watching. Two boys drive their cars against each other at full speed. One of them has to turn the wheel at the last minute if he is to avoid a head-on collision. The one turning the wheel first is treated as a chicken in front of the girls, and the other as the winner.

North Korea has forced us to play such a game. Whenever Pyongyang ignited a crisis, we threatened it with sanctions, demanding that it give in. Each time, it was we that backed off, however.

The time has come to stop playing a game that we have no chance of winning. The North Korean side is using an old car about to be scrapped and a cripple in the driver's seat, while on our side it is a good car with a person having a promising future behind the wheel. How can anybody expect us to win? From now on, we should take a step back and, while watching the United States and North Korea play their chicken game, do what we "ought to do."

#### **—Prepare for North Korea's "NCND strategy."**

While officially denying it, North Korea is establishing its possession of nuclear weapons by spawning numerous suspicions about its nuclear program. The way they do it can be called "strategy of uncertainty." Now, we do need our ways to deal with it. Suppose we spread the word today that "if North Korea uses mass destruction weapons, we will have no alternative but to retaliate the same way." North Korea would turn a deaf ear to it. An effective response to the strategy of uncertainty is possible only when we have operated an enriching or reprocessing facility, for a few years at least.

#### **—Make the most of Japan's nuclear capability.**

We have never taken issue with Japan's nuclear capability but kept mum on it. We must end this posture, replacing it with one making it an issue "at appropriate times and to appropriate degrees." Even for drawing

attention to the discriminatory U.S. policy that favors Japan while discriminating against the ROK, it is good that the fears of our people for Japan's nuclear capability are fully expressed. Since Japan justifies its capability, we should remember that we have an equal right to have the same capability for ourselves. After all, when we say we must regain our sovereignty in nuclear policy, we mean that we must follow the same course as Japan does.

**—Replace linkage with separation of nuclear response and economic cooperation.**

The current linkage policy, under which "there will be no economic cooperation before North Korea gets the nuclear issue resolved," should be revised to separate the two issues. Under the revised policy, we will seek to catch up with Pyongyang's nuclear capability and proportionately open the door to economic cooperation. In this connection, ministries may show differences among them and this development would be rather desirable; also, there would be no problem at all with the National Unification Board [UNB] taking the lead and pushing economic cooperation. In this connection, our attitude toward the North should be resolute. And as a matter of principle, it is important that we leave the door open but remain flexible.

**—Do not expect the nuclear issue to be fully resolved.**

One cannot reasonably expect that the North Korean nuclear issue will be fully resolved. It is important that we see it as a long-term issue which we will have to live with until the day of unification. Consequently, the assertion that North-South Korean relations shall be difficult to improve as long as the nuclear issue exists is a premise to be corrected. It is necessary that we maintain a relaxed posture while pursuing the policy of "putting on our armor the same way as they do" through regaining our sovereignty in nuclear policy and building our strategic potential. It will only cause the public to have misled expectations, and disappointment at the end, that the government behaves as if it could find a way to resolve the issue while it actually has no leverage whatsoever on the United States and North Korea.

**—The NUB should play the leading role in North-South mutual inspections.**

Inasmuch as U.S.-North Korea nuclear negotiations are basically a phenomenon of North-South politics between the two countries, there is no need for us to meddle in it directly. However, considering their major impact on us, we should take a hand in them albeit indirectly. This is an area for the Ministry of Foreign Affairs [MFA] to take the initiative.

Meanwhile, North-South mutual inspection is an issue confined to the Korean Peninsula. It is an area where it is desirable for the NUB and the Ministry of Science and Technology [MST] to take the initiative for our side. The present way in which the MFA is playing the leading role should be corrected. Currently, the government assumes

the posture that "mutual inspections should be conducted in such a way that they complement international inspections" or that "North-South Korea dialogue should be linked to U.S.-North Korea negotiations." It is not a desirable posture.

We should not pin hopes on the result of mutual inspection but view it as part of North-South Korean exchanges and as "something better than nothing." Even if it should become a political event, it will be all right. It would of course be welcome if mutual inspection should prove increasingly effective technically. There is no reason why we should be so fussy about it and make it impossible for the "event" to be held.

**—Scrap Article 3 of the Joint Declaration on denuclearization.**

Article 3 of the Joint Declaration, in which North and South Korea agreed not to have enriching and/or reprocessing facilities, not only was violated by North Korea but also conflicts with the policy of "putting on our armor the same way as they do." Therefore, this clause should either be scrapped or reinterpreted. There is no need for us to demand North Korea to shut down its reprocessing facility; all we need to do is to demand inspections and transparency on it. This is the very way for us to justify our possessing a similar facility. And it is the first step toward a new policy" dedicated to the regaining of sovereignty in nuclear policy and to internationalist nationalism.

After pledging in 1991 the nonpossession of enriching and/or reprocessing facilities, the government made a mistake by quibbling that "we can do without those facilities because they have nothing to do with economic efficiency." There should be no repetition of such blunders. It is an "act of treason" that a government chooses to shut off a future policy option just to save its face.

**—Expedite the effort for domestic production of non-nuclear strategic weapons.**

The present reality is that while leaving all our rights to development of nuclear capability and missiles in the hands of the United States, we are left to watch outside forces deal with nuclear issues. This arrangement should be changed. We must not continue to solely rely on the deployment of Patriot missiles—which is a far cry from what we seek, a self-reliant means of response—in the face of Pyongyang's missile development and its "Seoul in a sea of fire" threat.

Changing our conception of strategy, we should develop retaliatory power through domestic production of long-range missiles comparable to the North Korean missiles, rather than attempting to build anti-missile defense by importing the U.S. intercept missiles. The 1978 secret agreement forbidding development of missiles of a 180-km or longer range by the ROK should be thrown out openly, and we should positively exploit the fact that development of missiles is not a violation of the NPT or

other international devices banning nuclear weapons. The same thing can be said about non-nuclear strategic weapons including nuclear-powered submarines.

**—Be a leading voice for a East Asia nuclear-free zone.**

For an ultimate solution to the East Asia region nuclear issue, denuclearization of the Korean Peninsula alone is not enough. The present denuclearization policy putting the ROK at a disadvantage one-sidedly should be revised. The government should take the position that since the ROK is not seeking its nuclear arming, it should in no way be discriminated against in the area of peaceful use of nuclear energy, and that any discrimination in that area will eventually become a destabilizing factor. We must not show ourselves as a gutless people content with a plan to denuclearize only the Korean Peninsula and raising no question about nuclear weapons deployed in our vicinity by nuclear powers. It is desirable to propose a multilateral cooperation organization like ASIATOM.

**—Do not give unconditional support to NPT extension.**

It is necessary that we stick to the posture of "conditional support" toward the 1955 NPT extension negotiations. The government is required to pursue positive nuclear diplomacy to make nuclear powers know that we will give them our support only after we obtain their commitment to the restoration of our sovereignty in nuclear policy. This is not to say that our fundamental principle against horizontal proliferation of nuclear weapons should be altered. If it already promised Washington its support for the NPT extension, it should take steps to take it back. There should no longer be a repetition of the old practice of meeting U.S. demands unconditionally rather than on a give-and-take basis.

**—Revise the ROK-U.S. nuclear energy agreement.**

In order to enable us, especially, to raise our voice of self-reliance over nuclear issues, the existing ROK-U.S. nuclear energy agreement should be revised within the limits that it does not hurt the framework of friendship between the two countries. Provisions guaranteeing the supplier nation such excessive rights as the prior consent privilege should be eased and, more importantly, we should demand the same amount of discretionary power for ourselves as that granted Japan.

In the same context, when joining an international treaty limiting our strategic weapons capability, we should proceed with caution in choosing the objects and timing.

**—Do not ask for a unanimous voice.**

The government should no longer expect all the ministries and agencies to respond in one voice. Instead, while allowing them to show degrees of difference between them, it should study ways to exploit the fact for diplomatic purposes. If the NUB, the Ministry of National Defense [MND] and the MST should draw their policies

within the framework set by the MFA which is inherently more pro-American, it would be difficult to expect real gains in our own national interest. Confined to the framework of the linkage policy, the NUB failed to make a breakthrough in North-South Korea relations. Meanwhile, because of the framework of the denuclearization declaration that abandoned the peaceful use of nuclear energy, the MST's nuclear power fostering program failed to show its merit.

From now on, it is necessary to bring out—even deliberately—different views among ministries and agencies. The MFA should take an even more internationalist position mindful of U.S. relations, while the NUB should pursue North Korea policies from a more progressive position. As for the MND, it should be able to deal with the North Korean nuclear issue from the security-first standpoint.

If a visiting U.S. official thinks he can accomplish his mission to coordinate views with Seoul by only visiting Chongwadae and the MFA, it is no good for appearance's sake, too. The important thing is that the high level responsible for national strategy should perform the function of recognizing such different views and making necessary adjustments in the best interest of the nation.

**Statement Issued Against Fair Trade Amendment**

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11 Aug 94 p 8*

[By staff reporter Kim Chang-yong]

[Text] An interest group representing large companies has bitterly attacked the administration's recent decision to lower the ceiling on investments by subsidiaries of the 30 largest groups in other firms. But the policymakers remain adamant.

The Federation of Korean Industries [FKI] issued a lengthy statement refuting the decision in a press conference yesterday, one day after its executive vice chairman, accompanied by senior executives of leading conglomerates, asked the ruling Democratic Liberal Party to side with it in the dispute.

The Economic Planning Board [EPB], the top economic agency, Monday placed on public notice an amendment draft to the Monopoly Regulation and Fair Trade Act which is highlighted by a reduction in the ceiling from the present 40 percent to 25 percent from next year.

The draft, designed to check chaebols from encroaching on the business of others, also obliges them to dispose of excessive shares by March 1998. It is scheduled to be presented to the National Assembly this fall and put into effect next year.

The FKI termed the proposal "impractical and absurd."

"The decision will further the cause of diffusing ownership of large groups but will harm the other great causes of boosting investment and reinforcing competitiveness," the statement said.

If subsidiaries are banned from having over 25 percent stakes in other companies, large groups will be no longer inclined to invest in new sectors.

Under the law, the 30 groups subject to it have to sell an estimated 10,400 billion won worth of stocks of companies in which they have now invested beyond the ceiling, over three years, the FKI said.

The estimate is, however, about five times that arrived at by the EPB's Fair Trade Commission, the chaebol watch-dog body.

The FKI primarily insisted there be no change of the stipulation. Only in an alternative idea, it maintained that conglomerates be allowed to reduce their shares in other companies by 5 percent in every five years.

It also called for the softening of the proposed standards for exemption for the rigid regulation.

"Subsidiaries of groups in which 'internal shareholders,' or owners, their families and their other subsidiaries, have 20 percent shares or less should be exempted from the ceiling on investments in other companies," said the statement read by Yi Yong-hwan, director for examination at the FKI.

If only companies whose internal shareholdings come to less than 10 percent and whose paid-in capital is over 20 percent of their total assets are entitled to the exemption, as proposed, no more than six companies will benefit, it noted.

FKI executive vice chairman Cho Kyu-ha and executives of top groups visited the DLP and asked Rep. Yi Sang-tok and other members of the party Policy Committee Tuesday to intervene in the debate in their favor. Yi has a long relationship with the business quarter, formerly serving as president of Kolon Corp., a trading arm of the Kolon Group.

An FKI economist, Dr. Kwak Man-sun, said that the measure would prevent chaebols from restructuring their business liens and deprive them of the chance of massive involvement in lucrative or promising fields.

The EPB has not been affected by the FKI's retort for now.

Deputy Prime Minister-Economic Planning Minister Chong Chae-sok told reporters yesterday that his officials themselves esteem the new step "very highly." "We had already expected such a reaction from business circles."

Yet he left room for compromise on the regulations for exemptions of the ceiling, saying, "I personally think

incentives are more effective than restrictions in leading large groups to accept our policy."

#### \* 'Countdown' to World Trade Organization Viewed

#### \* Aftermath of UR, Prospects Noted bat[SISA JOURNAL 9 Jun]

942C0158A Seoul SISA JOURNAL in Korean 9 Jun 94 pp 50-55

[By Geneva correspondent Nam Yu-chol: "Countdown Is On for WTO Era—An On-Site Report on GATT Secretariat, the Heart of World Trade"]

[Excerpts] [passage omitted] Even the Uruguay Round [UR] stopped short of dealing with the question of the free movement of labor. In this area, it only took up, through its service-sector negotiations, the issue of regulating employment of professional workers. Nevertheless, it is important that services, called "invisible goods," were taken up for the first time. The service trade forecasts where the post-UR world order is heading.

#### Opening Up Service Market the Top Feat of UR

Of the eight rounds of multilateral trade negotiations held by the GATT, the UR was the first to consider trade in services. GATT economists emphasize that the UR's greatest accomplishment was its taking up of the issue of trade in services, which accounts for 60 percent of the gross world product. The debate drew the greatest global attention, including that of advanced nations. The GATT estimates the size of trade-in-services market at \$3 trillion a year. When the UR reached its settlement, the GATT issued a news release saying that the action on trade in services was the UR's greatest accomplishment.

In Korea, however, the service-sector negotiations drew no attention at all. For those believing that the UR means liberalization—and eventually harm for them—there were no reasons why they should be concerned, because the range of liberalization being considered was not very big in the first place. But David Hartridge, bureau chief for service-sector negotiations, said that, even if the range of liberalization is not large, "an expanded liberalization of the service market can give newly industrializing countries like Korea a huge opportunity for services exports." Korea ranked 15th in the world in service exports in 1989 and 18th in imports, ranking among the top 20 trade-in-services countries. It is by no means an easy task to try to make GATT experts—who analyze the Korean economy by those statistics—understand the ROK's domestic situation, where people view the UR as promising no opportunities for, but only harm to, their interests.

We, from our exceedingly defensive position, tended to view the UR with a damage complex. Most official reports dealing with its "impact" on the Korean

economy focused on the issue of liberalization—and the damage caused by it—and on prospective increases and decreases in exports and imports. Some reports sought to educate the public by simply stating that the UR would increase exports. This was a mistake made by those who saw the negotiations only in light of the nation's trade balance.

Richard Blackhurst, chief of the economic analysis bureau, said that "the GATT's ideal, in the strict sense of the word, lies in establishing a clearly defined law governing trade, rather than establishing free trade. By doing so, it ultimately promotes economic prosperity." His point is that, to correctly understand the UR's impact, it is necessary to add up gains in overall economic efficiency that result from trade transparency, rather than totaling up simple gains in exports and imports. The GATT's officially reported figure on the UR's impact on the world economy (an increase of \$235 billion annually to world income through the year 2005) was calculated based on this concept. "Needless to say, there are technical limits to putting it down in exact numbers," Blackhurst noted.

#### "Regionalism" the Biggest Challenge

Challenges to the "post-UR" era represented by the World Trade Organization (WTO) are expected to come from spheres that the UR could not touch. The biggest of them is the relationship between regionalism and multilateralism that lacks transparency.

The GATT's most fundamental spirit is in Article One of the agreement, which deals with most-favored-nation (MFN) treatment. It states that a member nation shall provide all other member nations with the best possible trade terms on an equal basis. This represents the most basic obligation and pledge under the GATT system. A tariff union like the EU and a free trade agreement like the North America Free Trade Agreement (NAFTA) are, strictly speaking, violations of the MFN clause, because they give preferred treatment to nations belonging to the union or the free trade zone that is not given other GATT members. Nevertheless, the UR concluded without even touching the regionalism issue. The reason: The leaders of regionalism, as well as multilateralism, are none other than the United States and the EU.

"Multilateralism"—which the GATT began to pursue immediately after World War II—and "regionalism" have always had a strained relationship. The GATT, after all, was the product of political international bargaining that recognized from the start the "reality" of an inevitable emergence of regionalism. Article 24 of the GATT recognizes regionalism as consistent with the GATT, on the condition that a free trade agreement or tariff union will not treat nonregional GATT members less favorably.

Regionalism is growing stronger, gaining momentum with the creation of the EU and NAFTA. There are currently 85 regional economic agreements, including 28

concluded in 1992 or later. When the United States created NAFTA, the Japanese Government warned that it would see if it contains elements violating the GATT. However, not a single regional pact has ever been ruled as "violating" the GATT. It is difficult to expect an "unfair" ruling under the "GATT 1947" system, which requires unanimity even for a minor decision. (The GATT concluded in 1947 is called "GATT 1947" and that established by the UR Agreement is called "GATT 1994.") A demand voiced by Korean experts—that "pressure" be put on U.S. and European regionalism as a price for opening up Korea's rice market—arose from fears that regionalism could be the biggest challenge to Korea.

In interviews with SISA JOURNAL, Arthur Dunkel, former GATT secretary general, and Peter Sutherland, current secretary general, stressed that "Korea is a country that will benefit most from the GATT's multilateralism." Their words imply that, if regionalism should prevail, Korea could suffer most. [passage omitted]

The WTO's method of dispute settlement is quite different from the GATT's. Under the GATT system, there was no way to resolve disputes except by agreement between the member nations involved. Even a panel of judges could not be formed unless the parties concerned approved. Even when a panel formed and issued a ruling, it could be implemented only if signatories raised no objection to it. At least one of the parties involved would inevitably raise an objection and, therefore, the panel ruling was absolutely meaningless except for some political pressure.

By contrast, the WTO has a permanent grievance machinery. Whenever a complaint is filed by any nation, a panel of judges is formed, and its ruling is unconditionally binding. If the ruling is not complied with, the WTO authorizes the grievant to resort to a measure of sanction fit for the claimed damage. Washington says that it will maintain the "Super 301" provision even after the start of the WTO, meaning that it will invoke the provision in such cases.

#### WTO an "Express" Line for Settlement

A trade lawyer from Canada predicted that "once the WTO has issued its ruling, it will not be an easy task for the defendant country to resist international pressures (for compliance)." "The entire process shall not take more than 18 months under any circumstances. Compared with regular lawsuits between individuals, which take years before a settlement is reached, the WTO's grievance procedures will be enormously time-saving," he stressed. At the moment, there is no telling whether the strengthened grievance machinery will bring about increases in complaints filed with the WTO or, as Secretary General Sutherland expects, work as an incentive for conciliation through prior negotiations and adjustments. [passage omitted]

\* Opportunities for Services Exports

942C0158B Seoul SISA JOURNAL in Korean 9 Jun 94  
p 52

[By Geneva correspondent Nam Yu-chol: "Hartridge: Opportunity for Korea to Export Services"]

[Text] The UR service-sector negotiations did not get much attention in Korea. It was because the (adverse) impact on Korea was minor in comparison with the agricultural negotiations. "The UR Negotiations and Our Responses," a public relations pamphlet distributed by the government, notes that "the impact of the UR in the liberalization of our service market is minor."

The private sector shared the same perception. A study of the UR by an economic research institute of a conglomerate noted that "the immediate impact on us from the UR service-sector negotiations is expected to be minor because we are ahead in the liberalization." This study did not even bother to analyze positive effects which the negotiations could produce on the Korean economy.

But David Hartridge, bureau chief for service-sector negotiations, emphasized that "of all sector-based negotiations in the UR, the service-sector negotiations will probably affect the Korean economy most." "I find it difficult to understand," he said, "that Korea does not see the UR as an opportunity for it to make inroads into the services markets of advanced and developing nations." "Korea is competitive in the service sector. But a liberalized services market also means a possible inflow of investments by foreigners," he added.

The services industry accounted for 74.7 percent of the ROK economy in 1992, far higher than the manufacturing industry. In employment, too, it reached 58.5 percent in the same year. From these two statistics alone, it is easy to understand that trade in services taken up in the GATT negotiations for the first time has a major influence on us.

\* Effects of Reducing Trade Barriers

942C0158C Seoul SISA JOURNAL in Korean 9 Jun 94  
p 53

[By Geneva correspondent Nam Yu-chol: "Blackhurst: Reduced Trade Barriers Will Lead to Greater Prosperity"]

[Text] Research institutes in Korea, both government-financed and private, compiled their "UR balance sheets" solely on the basis of gains and losses in exports and imports under the UR settlement. They focused only on the settlement's effect of expanding trade. But Richard Blackhurst, chief of the economic analysis bureau, emphasized that the UR's influence on a country's economy should be measured by the improvement in its economic prosperity. "Although the GATT's mission is often said to be reducing tariffs," he said, "its

more important role is to unify and systematize trade rules and systems, and thus make it possible to predict future market accesses."

He continued: "The UR, outwardly, is made up of negotiations concerning trade, but its true economic influence lies in the fact that it makes the market accessibility transparent and promotes investments. Its settlement will enable a trading nation like Korea to substantially increase its exports. With regard to gross domestic product (GDP), however, a country will gain more by reducing its own trade barriers and more effectively distributing and utilizing its resources than it will gain from expanded exports due to lowered trade barriers in foreign nations."

In Korea, it is common sense that "exporting is good, importing is bad." "The converse can also be true," Blackhurst said, emphasizing that "economic benefits from the UR should be measured not by gains in exports but by the effectiveness in distributing and utilizing resources."

\* Trade Environmentalism a Misunderstanding

942C0158D Seoul SISA JOURNAL in Korean 9 Jun 94  
p 54

[By Geneva correspondent Nam Yu-chol: "Eglin: Trade Environmentalism Is an Illusion"]

[Text] We hear some members of our society crying loudly that the Green Round—a multilateral negotiating round linking environment to trade—is pressing in on us. The Ministry of Foreign Affairs recently made it clear that "Green Round" and "Blue Round" are terms used only in Korea; they are not used in the international community. The misused terms, however, would not disappear easily.

Richard Eglin, chief of the environment bureau, pointed out that the term Green Round is controversial for two reasons. First, it creates the misunderstanding that the WTO is trying to subordinate trade to environmentalism. "If you think that the WTO is subordinating trade to 'green' (environmentalism), it is a misunderstanding. The rise of environmentalism in every country has inevitably led to conflicts with free trade. What we are doing is to examine trade problems that have something to do with environment, with a view to protecting free trade amid the surging waves of environmentalism," he said.

The second point, Eglin noted, is the misused concept of a "round." A "round" means the GATT multilateral negotiations held for several years each time in the past on the principle of unanimity. He said that it is doubtful if any new "round" will be held once the GATT has been dissolved. A trade environment committee has been formed to consider issues not in the form of "round" but on a permanent basis, he explained.

**\* Non-Tariff Trade Violates GATT**

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p 55

[By Geneva correspondent Nam Yu-chol: "Legal Experts: North-South Korea Non-Tariff Trade Is a Violation of the GATT"]

[Text] Our government imposes no tariffs on goods originating from North Korea, because it treats North-South trade as domestic trade. It issued the domestic trade declaration (unilaterally) in 1988 without knowing that it was a violation of the GATT. It was unaware that it was violating the "MFN" provision in Article One of the GATT until the United States, unhappy with the North-South rice trade, made an issue of it.

This provision states that if a member nation gives "any other nation" most favored treatment, it must give the same treatment to member nations, too. During his Seoul visit last year, then GATT Secretary General Arthur Dunkel made a somewhat equivocal comment, saying that "inasmuch as North Korea is not a signatory, there is no GATT relationship between North and South Korea." This prompted speculation inside the ROK Government that "it looks like there is a room for a new interpretation." However, the interpretation by GATT legal experts in Geneva is that the non-tariff trade between North and South Korea is a definite violation of the agreement. They interpret "any other nation" to include non-member nations.

A Canadian lawyer active in Geneva said that "if a member nation is allowed to give a non-member nation most favored treatment, no one would have joined the system in the first place." South Korea should discuss its problems with the GATT before the WTO is officially launched, because the WTO will be even more strict on such violations, he noted.

**\* Expectations for Transition to WTO**

942C0158F Seoul SISA JOURNAL in Korean 9 Jun 94  
p 56

[By Geneva correspondent Nam Yu-chol: "Great Expectations Surround Transition to WTO—GATT Secretariat So Busy That Workers Even Have No Lunch Break"]

[Excerpt] [Passage omitted] Because of its peculiar status under international law as an auxiliary body of the agreement, the GATT Secretariat is "treated unfairly" in terms of budget and manpower. Originally, the WTO was to be launched when the GATT was put in effect in 1948. But the plan fell apart when the U.S. Senate refused ratification on grounds that it violated the inherent authority of the U.S. Congress. This has compelled the GATT Secretariat to remain an ostensibly auxiliary body to manage the agreement. The World Bank has more than 3,000 specialists alone working for it. Its budget is so large that critics say it is overflowing.

By contrast, the GATT has 400 employees at most, and this includes temporary contract employees. Of the total, only 150 are specialists.

A specialist complained that in his section, five specialists, including him, have to tackle a huge workload, helped only by two typists. It was only three specialists, for instance, who handled the enormous workload relating to the UR service-sector negotiations. Workers have no time for lunch breaks, so they go down to the lounge on the first floor for sandwiches when they have time to do so.

**Low Paid, But Proud**

But they are all very proud of "working for the GATT." Spokesman (Nagier) said that "once they came to work here, few would leave." That shows how proud they are to work in an international organization where top-level specialists are gathered. Therefore, Secretariat personnel are rejoicing more than anyone else at the imminent conversion of the GATT into the WTO, a new international agency full-fledged both in name and reality.

The work of organizational transition has not yet started. Only a preparatory committee has been formed. It is unlikely that the WTO will become a bloated organization like the World Bank and the IMF. The United States and the EU in particular, fed up with the obesity of international economic agencies like the World Bank and the European Bank of Recovery Development (EBRD), are seeking to keep the new organization as slim as possible.

The GATT budget for 1993 was \$68.72 million. The biggest concern of GATT workers today is whether the transition to the WTO means any increase in the budget, and if so, how much of it will go to a pay raise for them.

**\* Sutherland on Effects of UR**

942C0158G Seoul SISA JOURNAL in Korean 9 Jun 94  
pp 58-60

[By Geneva correspondent Nam Yu-chol: "'The Biggest UR Beneficiary Is South Korea,' Says Sutherland; Also Says 'There Will Be Absolutely No Renegotiations'"]

[Excerpts] [Passage omitted] Peter Sutherland had just returned from a visit to Beijing, where he discussed China's entry into the GATT, when I interviewed him on 19 May in his office overlooking the Lake of Leman.

[Nam Yu-chol] Are you satisfied with the outcome of the UR?

[Peter Sutherland] Yes, I am, of course. I think that the moment the UR successfully concluded was a deciding moment for the latter half of this century. The UR settlement will provide the stability of the international community, which the world trading system needs badly. Immediately after World War II, the world arrived at the understanding that, for the world's political stability

among other things, it needed a global order to establish a stable multilateral order in trade. To date, the GATT has endeavored to achieve the political and economic stability of the world on the principle of multilateral free trade, namely, the principle of liberalization. The success of the UR was so important for each and every country.

[Nam] How big will be the changes that occur in international trade as the result of the UR settlement?

[Sutherland] As regards international gains for the world economy from the UR settlement, reports vary in numbers but most of them agree that globally, national incomes will grow more than \$200 billion every year through the 2000's. This huge number showing gains in economic prosperity represents only the commodity trade sector. If non-commodity trade such as services included, the positive influence of the UR settlement on the world's economic prosperity would be too broad and comprehensive for economists to show in numbers. More important than the immediate economic gains, however, is the fact that the world economy can now proceed by a multilateral order and rule, not the doctrine based on strength.

[Nam] The GATT will soon be dissolved and replaced by the WTO. What are the basic differences between the two?

[Sutherland] The GATT Secretariat has been nothing more than an organization to manage the agreement. In other words, it was a provisional organization in transition, not a complete international agency. The UR upgraded it into a full-fledged agency, both in name and reality, that can perform a positive role in developing trade policies and settling disputes. In particular, the WTO is to have a more effective grievance machinery than did the GATT. Under the GATT system, a settlement required the unanimous approval of all the signatories, which made it practically impossible to settle disputes. In the WTO, the unanimity clause is removed; instead, a council will be formed to handle grievances and its decision will be final.

[Nam] Can the WTO's grievance machinery have the same authority toward member nations—which are all sovereign nations—that their judicature has?

[Sutherland] A decision of the WTO has to be complied unconditionally and, for this reason, many countries will be willing to use the system. For the same reason, member nations will be more open for mediated settlement before their case is decided by the WTO. Because of its strong power in settling disputes, the WTO will be able to play a more effective, leading role in behind-the-scenes mediation proceedings.

[Nam] Do you expect the WTO to grow into a mammoth international agency like the IBRD or the IMF?

[Sutherland] No. The reverse will be the case. The WTO will exist as a very small, but effective international

agency run with a minimum of manpower and organization. Since its role is substantially larger than the GATT's, some increase in manpower will be inevitable in several divisions, including new ones. This doesn't mean that the number will double or triple, however. The GATT maintained its organization and functions on a small scale, yet was very effective. In my view, perhaps it could function the more effectively because it was a small organization.

[Nam] Do you see any difficulty in converting the GATT's bureaucratic organization into the WTO, by any chance?

[Sutherland] I think that the GATT's bureaucratic organization is an excellent one. The term bureaucratic organization is more often used in a negative sense than not; in the GATT's case, however, let's emphasize that it should be taken in a positive sense. GATT workers are all fine, capable professionals. I see no difficulties at all in the conversion. [passage omitted]

[Nam] In the course of the UR, the farm market liberalization issue met with persistent opposition in many countries, including Korea. How do you see the relationship between free trade and agriculture?

[Sutherland] The agricultural issue is a very sensitive one. It is linked to the lifestyles of people who have long lived in different ways, in different cultures, and in different geographical zones. The UR clearly demonstrated that agriculture is a difficult problem to deal with, not just in one country, but worldwide. Agriculture has long remained a sector more nationalistic than international in nature. The real change in this sector due to the UR is, in fact, minor. But, in view of the sensitive interests of farmers the world over, including the Korean farmers, the outcome of the negotiations, I believe, was relatively very successful, reflecting their interests in a balanced way.

[Nam] What was your view of Korea's rice issue?

[Sutherland] My understanding was that from Korea's position, it was a very basic issue. In my view, Korean negotiators very strongly and effectively represented the ROK position in negotiations. It was an extremely difficult issue. I believe, however, that it found a reasonable settlement at the end.

[Nam] Korea, along with Japan, decided to open up its rice market. Do you think that it was a good decision?

[Sutherland] Of course, I do. There can be no question about it. No other country will benefit from the establishment of a multilateral trade order more than South Korea. South Korea is a country that needs the kind of free multilateral trade order that the UR sought to establish. The successful UR settlement is so important for trading nations like South Korea. For South Korea's position, the UR had to reach a successful conclusion as it did by all means.

[Nam] Do you mean that South Korea is typical of the countries drawing greatest benefits from the UR settlement?

[Sutherland] Of course, I do. The ROK absolutely needs a multilateral trade order and system that can control unilateral pressures and protectionism based on bilateralism and strength. It is a typical case in urgent need of the protective membrane of free trade as provided by the GATT system.

[Nam] In the ROK, however, many viewed the UR as negotiations in which the U.S. and European superpowers were preoccupied with their own selfish interests. Critics also said that the interests of developing countries were ignored amid a "battle of self-respect" fought by the United States and Europe.

[Sutherland] I cannot agree with such an assessment at all. On the contrary, I understand that developing countries are quite satisfied with the outcome of the UR. Rather, I hear complaints and dissatisfaction from the advanced nations. In advanced nations now, protectionist moves are gaining strength. At a time like this, developing countries by all means need the GATT-guaranteed multilateral system if they are to maintain trade with the advanced nations appropriately.

[Nam] Does the UR settlement mean there is no more danger of a trade war?

[Sutherland] In my view, the danger has greatly diminished.

[Nam] China is hoping to become a GATT member before the WTO starts. Is it possible that it will become a member within this period?

[Sutherland] It will be very difficult, although it is not absolutely impossible. So, I see no alternative but do our best to make it possible.

[Nam] Now that the UR is over, is there any possibility of a new round being launched?

[Sutherland] Rounds similar in format to those pushed by the GATT in the past will no longer be held. Based on the accords reached in the UR, world trade issues will be worked on on a permanent basis in the future.

[Nam] What do you think will be the greatest challenge to the WTO?

[Sutherland] I think that gaining the trust of member nations is most important. If the WTO's grievance machinery is to take root successfully, member nations must show confidence in the system's fairness. Otherwise, the WTO's decisions will be practically meaningless. It is extremely important for the WTO to have member nations voluntarily accept and comply with its dispute rulings and its policy decisions. It is an international agency empowered to decide disputes. If it should fail to win the confidence of member nations, members—which are all sovereign nations—will not follow it.

At the same time, however, I would like to emphasize that such confidence only comes when member nations realize that the WTO system is necessary to their own interests. The WTO should become an agency that truly functions, and not just a place for countries to air grievances or play with words.

[Nam] The Clinton administration is having a great deal of political difficulty in getting Congress to ratify the UR accord. What will happen if the U.S. Congress refuses to ratify it?

[Sutherland] Such a monstrous disaster is simply unimaginable. If the U.S. Congress should refuse ratification, it would in effect erase the UR itself. I myself cannot even imagine such a thing.

[Nam] In the past, when the GATT was signed, the U.S. Congress refused to endorse the International Trade Organization, an international body similar to the WTO, on grounds that it infringed on its inherent authority. Today again, many Congressmen are critical of the WTO for similar reasons. Is it possible that the United States will move to weaken the WTO's authority?

[Sutherland] There will be no renegotiations for whatever reason. Even partial renegotiation for any rephrasing is impossible. The UR negotiations are over.

#### Police Placed on 'Emergency Footing' for Rally

*SK1108074794 Seoul YONHAP in English 0734 GMT  
11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—The Seoul police was put on an emergency footing Thursday, as "the Southern headquarters of promoting a pan-national rally" is moving to push ahead with its plan to hold the fifth pan-national meeting in Seoul Aug. 13-15, defying the government's ban on such a North Korea-initiated political rally.

Accordingly, the announced rally site, Konkuk University or Tuksom shore of the Han River in the eastern part of the city, and selected foreign legations have been put under heavy guard, a police spokesman said.

The police is also prepared for sudden change of the rally site and advance onto the downtown area of rally participants in violent street demonstrations breaking through a cordon.

Checking pedestrians at subway stations and busstops near the rally site has been intensified, while searching for those on the wanted list has been stepped up. In addition a tight police cordon has been posted around the rally site to keep off people from the site.

When a violent illegal demonstration using fire bottles as weapons takes place, all those involved will be dealt with strictly by law, the spokesman said.

The police has started monitoring communication, such as telephone and facsimile, between the headquarters

and pro-North Korean organizations overseas, while taking steps against the infiltration of pro-North Korean people into the country for the rally.

Leaflets and public-relations material published by the headquarters in relation to the pan-national rally are being collected to check whether they are serving North Korea's unification strategy.

Steps have also been taken to thwart a plan of "The Pan-National League of Youths and Students for Fatherland Unification" to hold a meeting with North Korean youths and students at Panmunjom around Aug. 15.

In addition, the police has asked universities in Seoul to keep the campus from being used as political rally site.

#### National Security Agency Shuffles Positions

SK1108055494 Seoul *THE KOREA TIMES* in English  
11 Aug 94 p 2

[Text] Kim Tok, director of the Agency for National Security Planning (NSP) has conducted a shuffle affecting at least nine senior officials, including one of his special aides, it was learned yesterday.

The 1st special aide was dismissed and two director general-level officials were transferred to less important posts.

They were held responsible for the mishandling of the news conference by a North Korean defector, Kang Myong-to, who claimed that North Korea has already developed five nuclear bombs.

The six others were promoted or transferred in a follow-up shake-up.

In the July 27 news conference, Kang claimed he is the son-in-law of North Korean Prime Minister Kang Song-san, and alleged that North Korea has built five nuclear warheads, surprising the nation. One day after, however, the government raised doubts about Kang's claim, saying that it has yet to be verified because it is based on what he heard from a security guard he claimed was working at Yongbyon nuclear complex.

#### Director-Level Posts Reshuffled

SK1108053994 Seoul *YONHAP* in English 0058 GMT  
11 Aug 94

[Text] Seoul, Aug. 11 (YONHAP)—Mun Pong-chu was named new deputy director-general of Asian and Pacific Affairs Bureau while Choe Yong-chol was named to replace him as liaison officer between Foreign and Defense Ministries Thursday.

Pang Pyong-chae, currently with the Institute of Foreign Affairs and National Security [IFANS], is to take over as deputy director-general for passports and Yi Chong-chae goes to IFANS as director of the Administration Division of the institute.

Kim Ok moves from the presidential secretariat to director of North American Division II while Kim Sang-yun moves from IFANS to director of UN Economic Affairs Division.

Chong Sun-sok at IFANS was named director of Cultural Cooperation Division.

#### Five Independent Lawmakers Join Ruling Party

SK1108053694 Seoul *YONHAP* in English 0516 GMT  
11 Aug 94

[Text] Seoul, Aug. 11 (YONHAP)—Five independent lawmakers joined the Democratic Liberal Party [DLP] Thursday, bringing the number of National Assembly seats held by the ruling party to 176.

The newly-joined legislators are Yun Yong-tak of Taegu's Susong-A, Chong Chu-il of Kuri City in Kyonggi Province, Kim Chong-nam of Samchok City in Kangwon Province, Cha Su-myong of Ulsan-nam in South Kyongsang Province, and Pyon Chong-il of Sok-wipo-South Cheju in Cheju Province.

In a statement, the new DLP members said they had decided to enter the ruling party to take part in President Kim Yong-sam's policies for change and reform.

#### Ruling Party's Executive Council Resigns

SK1108055794 Seoul *THE KOREA TIMES* in English  
11 Aug 94 p 2

[Text] The ruling Democratic Liberal Party [DLP] will form a new executive council, the party's supreme decision-making body, soon and for this, the current members of the council tendered their resignations en masse to President Kim Yong-sam, the DLP president, in a meeting yesterday.

DLP chairman Kim Chong-pil said that the party will reduce the number of executive council members to enliven the function of the decision-making body.

The council has 45 members currently and the number will be reduced to 35 to 40 party sources said.

Chairman Kim said that the party will appoint heads of party provincial and municipal chapters as council members to make the council more productive so that every important national issue can be fully discussed and addressed.

More multi-term lawmakers will be included in the council, but chairmen of National Assembly standing committees will not be included, Kim said.

Kim discounted the political significance of the revamping of the executive council, saying, "The party should have reorganized the executive council last June when all Assembly leadership and standing committee chairmen were reshuffled." At that time, seven executive council members were appointed to posts of the Assembly speaker, vice speaker and standing committee

chairmen and there loomed a need to reorganize the DLP executive council, the DLP chairman said.

But political analysts said that the DLP's sudden decision to revamp the executive council was made to minimize the fallout from the party's defeats in the National Assembly by-elections in Taegu and Kyongju, perennial turf of the ruling party.

The council reorganization is also aimed at consolidating President Kim Yong-sam's grip on the party in preparation for a massive party leadership change before the nationwide elections for local assemblymen and administrative chiefs slated for mid-1995.

An informed party source said that President Kim will appoint So Sok-chae, his righthand man who left politics after being convicted of violating the election law, as an executive council member.

This will be only the beginning of his political comeback to a more important party or government post, the source said.

So, whose status is on par with Choe Hyong-u, now home minister, and the late Kim Tong-yong, former state minister for political affairs, within the Sangdo-tong camp headed by President Kim, was accused of bribing a candidate of a third opposition party in the National Assembly by-election in Tonghae City in 1989 in an attempt to drop him out of the race.

So, then secretary general of the second opposition Reunification Democratic Party [RDP] headed by Kim Yong-sam, was convicted of violating the Assembly Election Law and was stripped of his Assembly seat by the Supreme Court ruling in 1992. So's supporters alleged that the so-called Tonghae election bribery case was a political operation of a powerful intelligence agency of the No Tae-u administration aimed at entrapping So and disgracing the opposition RDP and its president Kim Yong-sam.

So's civil rights were restored in a special pardon given by President Kim last December. During his one-year political hiatus, So studied at Waseda University.

The DLP source said that So's reinstatement as a DLP executive council member was decided in a weekly get-together of President Kim and party chairman Kim Chong-pil Monday, adding that he will assume an important party post after his return.

So's political comeback will affect the political equation within the ruling party, a mix of three heterogeneous political groups, with the party facing a leadership change around the year end, the source said.

#### **\*DP President Yi Ki-taek's Ambition Analyzed**

942C0176A Seoul SINDONG-A in Korean Jul 94 pp 238-248

[By reporter Chang Hwa-kyong: "Yi Ki-taek, 'Opposition's No. 1 Candidate for 1997—His Ambition and Problem"]

[Text] Yi Ki-taek, president of the Democratic Party [DP], was the first to show his will to run in the 15th presidential race. And thriving in its wake are ratings on him, both positive and negative. Is he qualified to be the leader of a second civilian government? What is his philosophy and strategy? He, too, appears to have profited from the "nothing ventured, nothing gained" maxim—not as much as Kim Yong-sam did, though ...

The 15th presidential election is set for 18 December 1997. Who will show up in the spotlight then? At this point in time—only a year and 4 months after the inauguration of President Kim Yong-sam—it is perhaps premature to discuss the next presidency; nonetheless, the perception that a marathon race is already on among middleweight politicians, officially or unofficially, is not misleading.

In its weight in our political history as well as Korea's modern history, the 15th presidential elections, especially, is as significant as the last one in which President Kim was elected.

Kim Yong-sam, venturing his career on a three-party merger, had boasted "Nothing ventured, nothing gained." Whatever judgement history may pass on him, the fact is that he rode on it and defeated his rival, former DP President Kim Tae-chung, to win the election.

If the Kim presidency is comparable to a stage bidding farewell to the Old Era politics and authoritarianism, then the next presidency can be likened to a milestone opening a new stage—new in fact as well as in name. In particular, the likelihood is very high that the next president will, domestically, be the first of a unified Korea and, externally, the leader in shaping the future of a reunited nation whose status has risen significantly.

Furthermore, the results of the elections scheduled to be held in succession every year, beginning with the four major elections for governors and mayors next year, will likely paint a general outline of how things will shape up toward the final contest. Against all these backdrops, debates on the 1997 election in and out of the political sphere are taking on specific elements gradually.

An effort to name politicians who seem qualified to make a bid for the next presidency may only show, after all, the tip of the iceberg or a premise that is merely a conjecture. Still it cannot be dismissed as a meaningless attempt at this point in time.

In the case of the Democratic Liberal Party [DLP], observers agree that "the candidacy will be determined solely by the manner in which President Kim will write his succession scenario." While the president's RDP [former Reunification Democratic Party] faction cites the name of Rep. Kim Tok-yong, former minister of state and popular among the grass roots, it does not rule out Choe Hyong-u, minister of home affairs, as a possible challenger.

In the DJP [former Democratic Justice Party] faction, the largest faction in the DLP, Reps. Yi Han-tong and Kim Yun-hwan are viewed as possible challengers, fueling speculation among busybodies. In the case of Rep. Kim Yun-hwan, he once—while leading Kim Yong-sam's campaign in the 1992 DLP vote to select the party presidential candidate—defined his own role by saying that "I am just a kingmaker at any time." It remains to be seen, though, whether he will keep that word for the 1997 race.

Political quarters generally agree that the ranking of DP President Yi Ki-taeck on the opposition list of candidates is more important than the debate on who will be the likely ruling party candidate.

It should be noted, however, Pak Chan-chong, president of the Sinjung Party, known as the opposition camp's "heretic," continues to enjoy high popularity ratings in a variety of opinion polls, while, in the DP, the possibility of party adviser Chong Tae-chol or Supreme Committee member Yi Pu-yong being chosen cannot be ruled out.

#### KT, First Runner in the 1997 Race

What is the philosophy and strategy of KT (Yi Ki-taeck), who apparently has set in motion his long long campaign for an election, which is still 3 years and 6 months away? Is he qualified to be the president of a second civilian government?

As these questions are being asked, criticism and berating continue from the general public as well as the political sphere, while on the other hand, some give him positive ratings—like sunlight coming through the dark clouds—saying he is all right for the New Era.

To put it another way, the fact that the controversy swirls around him could mean that both the public and politicians have already put him in what they see as the ranks of presidential candidates and, on that basis, continue scrutinizing him.

When he ventured his career on the three-party merger, Kim Yong-sam said "Nothing ventured, nothing gained." In a slightly different sense, one may say, Yi Ki-taeck has made headway in a similar venture, if not on such a big scale.

To prove it, today he is the president of the No. 1 opposition party with 96 assemblymen, compared with the only seven "kids" (assemblymen of the former RDP) who followed him when he joined "the Kim Tae-chung Party." With this in mind, one may speculate that if he had followed Kim Yong-sam at the time of the three-party merger, or if he had not joined hands with Kim Tae-chung, he would not be as tall in stature as he is today.

However, Yi Ki-taeck, who became the DP president in March last year, with the support of Kim Tae-chung in the wake of the last presidential election, has been dogged for one whole year by unpleasant innuendos and

sneers that "KT lacks leadership because he had been protected by such political giants as the two Kims [Kim Yong-sam and Kim Tae-chung]" or that "as an opposition leader, he is deficient in his ability to take initiative in a strained setting and find a breakthrough on the issue. Complaints about Yi Ki-taeck include one that he makes remarks for which he cannot possibly bear the responsibility and, as a result, puts himself under pressure. This year alone, he announced at his 12 January New Year press conference that he would visit North Korea to find a breakthrough in the strained North-South relations, stirring up a furor. Since then, he, in effect, has withdrawn the remark completely.

Also, when Chongwadae appeared confused in an upheaval following the resignation of Prime Minister Yi Hoe-chang, Yi was visiting the United States. He decided to cut the visit short, and in the plane coming home, abruptly said "we need a new cabinet supported by the whole nation to overcome this difficult situation," provoking a strong reaction against him even within his party and forcing him to retract the comment in less than 24 hours.

Yi also continues to be troubled by intraparty grievances. In the view of DP adviser Kim Sang-hyon, "among all the politicians, none appears in television as frequently as Mr Yi Ki-taeck does." "Nevertheless," he says, "his popularity does not escalate. This shows that he is a mere subordinate factor." The implication is that KT lacks leadership.

Kim Sang-hyon asks back "if Yi Ki-taeck has leadership, then why are those first-term assemblymen, among others, doing things that threaten his authority?" "The feeling of helplessness now prevailing in the DP is entirely because of Mr Yi Ki-taeck," he says, unhesitatingly.

Adviser Chong Tae-chol, a nonmainstreamer, also attacks Yi Ki-taeck by saying "he seems to have no opinion of his own." "KT even has no force of his own. If a person like him should be reelected party president, the results of the local elections next year and the general election the year after that would be as plain as day," he said, adding that "a good person is not necessarily a great politician."

While criticisms continue uninterruptedly, a few recent cases demonstrated Yi's lack of strategy and tactics, to the embarrassment of his own camp. Most typically, in a DP vote on 27 May to elect a new floor leader, Kim Tae-sik, the incumbent and a mainstreamer, was defeated by Sin Ki-ha, who had the support of adviser Kim Sang-hyon, in an "upset."

In the party, the development was not necessarily viewed as a showdown between the mainstream and the non-mainstream; in hindsight, however, the *ex post facto* commentary that it reflected the negative ratings on KT is noteworthy.

Also, the nonmainstreamers steadfastly charge that Yi was duped by Kim Yong-sam, who is "a notch wilier," at each of the top leaders meetings of the ruling and opposition parties held in March, May and June.

Even a key mainstream assemblyman worries that Yi is still unable to establish himself with prestige worthy of the president of the No. 1 opposition party. He says: "Minister of State So Chong-won frequently phones to Mr Yi or pays him an unexpected visit, and Mr Yi would take the call or receive him unreservedly. Acting like that, he too often lowers his own prestige."

#### **Intraparty Criticism, Lack-of-Alternative Argument**

In response to such criticisms by nonmainstreamers as well as mainstreamers against Yi's party management and his posture as politician, and to their argument against his presidential candidacy, the Yi camp contends that "all their criticisms—although we see a point or two in them—are based on a misunderstanding. They don't know very well what kind of person KT is."

First, Rep. Mun Hui-sang, Yi's chief secretary, presents a "lack of alternative" theory.

Mun says "it is quite natural that politicians and the public, accustomed to the charismatic leader image under the two Kims, see weakness in Mr Yi." "Under the party leadership system in which each of the nine Supreme Committee members has his own color, the ship would sink should Mr Yi decide to join them and act up," says he, noting that KT is exercising self-restraint to maximum degrees.

"Mr Yi is a seventh-term assemblyman, a record high in the National Assembly. He consistently has held to the opposition, and he was a leader in the 4-19 [1960] student revolution. If you can think of any person more qualified as opposition leader, give me his name," Mun challenges.

Rep. Kang Chang-song, former commander of the Defense Security Command, who describes his role by saying that he was given away by Kim Tae-chung to marry Yi Ki-taek, says "In Japan, politics is synonymous with lies for most people. But such Machiavellian politics is too old a suit to fit Mr Yi," he noted, stressing that Yi is a politician of integrity."

He thinks it is all right that Yi takes no strong action to punish those criticizing him. However, against those hanging on to Yi's loincloth and attempting to throw him out of the ring, the DP president should draw a clear line. That is what he has been urging Yi to do, says Rep. Kang.

Explaining why Yi does not actively seek to thrust himself to the forefront like party bosses did in the past in party management and general political maneuvers, an aide cited the example of carp fish. According to him, if carp fish are put in a goldfish bowl, they will hit one another so hard that their scales will come off and they will eventually die.

His point is that since the DP, which KT inherited from Kim Tae-chung, is a mixed family of people with different backgrounds and political lines, KT sees it as his duty to adjust the roles and interests of family members and guide them.

Rebutting criticisms, Yi Ki-taek himself says "my history since the 4-19 revolution shows that they are unreasonable when they say—in such vague terms—that I am weak." "Whether a politician is strong or weak should be judged by the firmness of his will," he adds.

Perhaps because of his conclusion that he was unjustifiably surrounded by negative ratings as weak-minded, Yi demonstrated unprecedented positiveness in pushing a National Assembly investigation into the Sangmudae scandal. He appeared to be a totally different man.

As is known, the investigation ended in an anticlimax as the opposition decided to quit midpoint. But prior to that, when the National Assembly was about to launch into the Sangmudae investigation in March, Yi, in a show of will, declared that "in our practices thus far, whenever a scandal occurred, the government party held to the defense, and the opposition took the offensive for a while only to be seized with a feeling of helplessness as public attention subsided. I am going to end these practices."

After that, he poured all the available party resources into the parliamentary investigation through early June, shelving other issues for the duration. It was a new Yi Ki-teak unseen before. The move was in part a ploy to strike a political blow against a former president [No Tae-u], DLP legislators, and former high officials of the Sixth Republic, who were rumored to have received political funds from those allegedly involved in the scandal.

The conflicting ratings on Yi, in fact, seem to have little common ground between them. However, for KT to console himself with the thought that "if I have any weakness, it is that I am a decent person," the responsibility placed on him is just too important. His top priority should be an attempt at self-transformation, observers say.

#### **Self-Appointed "Stepping-Stone"**

The most important element of Yi's cause is the 4-19 revolution. He insists that "the 4-19 generation that brought on the dawn of civil society should be the leading player on the stage of history from now on." This makes people wonder what he would be saying as an alternative if he had not taken part in that student revolution. His "attachment to the 4-19" is that strong.

One of the last Old Era politicians, he has no freshness about him. But his generation had ignited the 4-19 revolution to usher in the dawn of democracy. He is the only political leader qualified to represent that generation and be a "stepping-stone" to pass the baton to the new age of civilization of the 21st century, the Yi side asserts.

Based on this doctrine, KT put forth the so-called New Line late last year as a rallying point and has since been putting it into practice step by step.

Specifically, his state administration theory calls for democratization, scientific advancement, and industrialization. And he is devoting all his words and deeds to it. From the steps he is taking these days, one can clearly feel that he is already in a presidential race in earnest.

Under the authoritarianism of the past, the opposition could appeal for voter support with its pro-democracy demands and anti-dictatorship struggles. Undoubtedly, Yi must have decided that it can no longer launch a successful campaign based on the "old days' songs" alone.

As a result, he utters matter-of-factly such new-fangled slogans as "on-the-scene-sentiment" and "livelihood-based politics." Quite naturally, he also tours markets and villages, bringing himself deep into the grass roots.

It was also in the same context that he, in a special lecture at the Korea University Natural Resource Science graduate school on 19 May, said that "the science and technology investment should be raised from 2.5% of GNP to 5% by the year 2001, and 200,000 scientists should be trained every year for 1 million over the 5-year period"; when reporters later showed a smart-alecky response, he asked them, almost accusingly, "why don't you write on an important matter like this?"

In respect to science, Yi emphasizes that "a national movement should be launched to popularize science. State-sponsored contests in science and technology should be held as national events and an atmosphere created in which scientists are treated as national heroes to the same level as entertainers and athletes are."

Yi's concerns about education is equally remarkable. In an increasingly stronger tone, he says: "Education is the key to the 21st century. We should stake the nation's future on developing human resources and thus possessing the world's highest technology."

At the same time, of Yi's strong points, economy is an area where he can reasonably claim his expertise. Needless to say, President Kim has been devoting all his energy to an economic renewal since he took office, vigorously calling for economic revitalization and international competitiveness. But Yi charges that "the economic policy of the present government remains the same as before—it evolves around *chaebol* [conglomerates]. On every occasion available, he stresses the need for a focus on small businesses in economic management.

A graduate of Pusan Commercial High School and the Korea University school of commerce, Yi Ki-tae once worked as chief accountant for Tae-Kwang Industrial Co., a firm owned by one of his relatives. He is confident that he is ahead of his potential rivals in the field of

object economy. Thanks to such background, he is said to have more industrialists and economists advising him than his rivals.

Mun Hui-sang, his chief secretary, says Yi's international policy plan is yet to be finalized. According to his explanation, "it will be based on a pragmatic line, an inevitable course for the nation to follow in the 21st century. Yi's position will be that internationally, we must work out a blueprint of prosperity for Northeast Asia including Japan and China; and domestically, the gaps between regions, strata, and industries must be removed to pave way for social integration."

Yi's secretariat is known to have an advisory group of about 100 professors working for him on a regular basis.

Along with the task of building his "specialty," how he will have politicians organized to support him, build him up and fight on his behalf the entire way—openly and covertly—will really play a key role in his success.

Until recently, Yi never had any public or private organization working specially for him. This means that virtually there had been no organization which he could claim to be his.

After the national convention last year made him the legitimate president of the opposition party, Yi increasingly felt the need to establish a private organization for himself—like President Kim Yong-sam's Minju Sanahoe [Democratic Mountaineering Club] or Kim Tae-chung's Minju Yonhap Chongnyon Tongjihoe [Democratic Alliance Youth Society].

#### No "Puk-Ahyondong Faction" As Yet But...

Until very recently, while the Tonggyodong faction [of Kim Tae-chung] and the Sangdodong faction [of Kim Yong-sam] held virtual control of the political sphere, there was no such title as "Puk-Ahyondong faction" associated with Yi. This motivated him to seek out personalities who will be willing to stake their fortunes on him.

The quest led to the creation of Tongil Sanha-hoe [Unified Land Society] as Yi's private organization both in name and reality.

Tongil Sanha-hoe—now a mainstream organization in the DP along with Naeoc Munje Yongu-hoe [Internal and External Affairs Research Society], a gathering of assemblymen of the Tonggyodong faction—has basically completed its ground work by drawing in 30% of the DP assemblymen in the past nine months or so and setting up 15 district chapters across the country. Its mission is to maintain the Yi Ki-tae DP leadership at all costs.

Rep. Kang Chang-song, chairman of this group, emphasizes that "Tongil Sanha-hoe gives priority to making the national convention next year a success over the next presidential election."

It could be for this reason that the party has made an arrangement under which the pure Tonggyodong-faction members now all belong to Naeoe Munje Yongu-hoe and the assemblymen who were either elected from Yi-controlled districts in the 14th general election or were originally promoted by Kim Tae-chung but are now viewed as promising staff members are assigned to Tongil Sanha-hoe.

So, under Chairman Kang Chang-song, Tongil Sanha-hoe has the following assemblymen as its members: Pak Il, Son Se-il, Hong Sa-tok, Kim Chung-hyon, Choe Uk-chol, Ha Kun-su, Pak Un-tae, Yu In-tae, Kim Chung-cho, Nam Kung-chin, Sin Kye-ryun, Chong Ki-ho, Yi Kyu-taek, Che Chong-ku, Choe Tu-hwan, Yang Mun-hui, Kim Won-ung, Kang Sok-hwa, Kang Su-rim, Pak Kye-tong, Yi Chang-hui, Yi Kyong-chae, Chang Chae-sik, Yi Tong-kun, Chang Chun-ik, Kim Pong-ho, Mun Hui-sang, Kang Hui-chan, Cho Sun-hyong, Won Hye-yong, and Yi Won-hyong.

Also among those supporting the cause of Tongil Sanha-hoe are former assemblymen Choe Yong-kun and Yi Chung-chae, as well as DP district chairmen like Song Tae-in, Kim Song-sik and Han Yong-ae.

Officially, Yi is listed as adviser to Tongil Sanha-hoe. Although he does not officially involves himself in its activities, he was present at a joint inauguration of branch societies in Taegu City held in Taegu on 12 June. By attending such gatherings and events and deepening his friendship with members, he is publicizing Tongil Sanha-hoe as his organization.

Another group that has become a big help to Yi is Naeoe Munje Yongu-hoe of the Tonggyodong faction (Board Chairman Ho Kyong-man; Advisers Kwon No-kap and Han Kwang-ok). It appears to be Naeoe Munje Yongu-hoe's basic policy that it will continue to honor what former DP President Kim Tae-chung promised concerning the succession of the party leadership and maintain its support for—and alliance with—Yi Ki-taek in the next year's national convention, as it did in the convention last year.

In this connection, Adviser Kwon No-kap, who is a member of the party Supreme Committee, says: "We plan to expand the present mainstream into a pan-mainstream and make it stay even after the national convention and the local elections next year. And in this case, the pan-mainstream will be represented by Mr Yi Ki-taek." Thus, he did not make it a secret that Kim Tae-chung's heart is still with KT.

In the national convention next year, therefore, delegates will likely be divided into two sides, with delegates from Seoul and the Honam [Cholla] region siding with Naeoe Munje Yongu-hoe and those from the Yongnam [Kyongsang], Kangwon and Kyonggi regions with Tongil Sanha-hoe.

After all, Yi seems to be determined to use these two forces as the spearhead to realize his ambition in the national convention next year and in the 15th presidential election.

In addition, it remains highly possible that Kim Tae-chung's nationwide private organization, Minju Yonhap Chongnyon Tongjihoe, will be mobilized to campaign for Yi.

There is one worrisome factor for the core DP leadership, however. It is that as seen in the floor leader election in late May, the ties between Naeoe Munje Yongu-hoe and Tongil Sanha-hoe are not as firm as they were under the Kim Tae-chung leadership, and that the two forces are not spiritually united either.

Commenting on the reason for the defeat of the mainstream faction in the floor leader election, Rep. Kang Chang-song says that "there were more defections from Naeoe Munje Yongu-hoe than from Tongil Sanha-hoe. Building firm organizational strength will be a future task," he says.

#### Kim Sang-hyon's Challenge

Another group endeavoring to create a KT myth is the staff organization in the party. In it, Reps. Kang Chang-song, Mun Hui-sang and Pak Chi-won—who came over from the Tonggyodong faction—are working as staff officers and, at the same time, for liaison with the Kim Tae-chung side in Tonggyodong, while Reps. Chang Chae-sik, Pak Un-tae, Son Se-il, Choe Tu-hwan and Chang Chun-ik are serving as advisers on current issues.

In the past, the two Kims formed their groups of loyal followers based on human relationships built in the course of their prolonged struggles. By contrast, Yi is using young secretaries in their thirties and forties selected solely for their functions and performances.

A staff of about 30 official and unofficial secretaries led by Mun Hui-sang, which also works as a policy team, is putting the greatest emphasis on helping Yi build expertise in each area, in response to Yi's tall talk that "I will be judged for my policy."

Outside the National Assembly, auxiliary staff members—such as Son Tae-in, chairman of the Pusan South-B district chapter; Yi Hui-won, chairman of the Taejon West and Yusong district chapter; Yim Tae-yun, chairman of the Taegu East-A district chapter; Kim Hui-wan, chairman of the Seoul Songpa-A district chapter, and Hong Mun-pyo, chairman of the Chongyang and Hongsong district chapter—are working as a rudder in each department such as organization, publicity and protocol.

Along with organizing ability, fund-raising capacity is a role demanded of a political leader most importantly in operating his faction and organization. As far as political funds are concerned, Yi, unlike political leaders in the past, obstinately keeps his hands clean, almost to a

perfectionist level. In other words, he would not put out his hands to receive the sort of contributions that could cause misunderstanding, even when he is in dire straits for money to keep the organization running. It is also characteristic of KT that he would spend no money for unjustifiable purposes, even if he is called names for it.

According to what he publicly disclosed as of the end of February, his property, including his residence in Puk-Ahyondong, is worth 3 billion, 472 million.

This much wealth might not even be enough to buy all the materials needed in the three-year race, but the Yi camp is not particularly concerned. Some, however, think that "Mr Yi should institute some fund raising to at least pay in part the steadily increasing operating costs." Tongil Sanha-hoe in particular is said to be already experiencing financial difficulty as it expands.

Yi Ki-tae once confessed that "raising funds has become difficult since the government put into effect the new system banning use of false or borrowed names in financial transactions." Meanwhile, aides are expecting financial support from Tae-Kwang Industrial Co.—which was subject to a tax audit and other ordeals by the Fifth Republic government because of suspicions concerning Yi's political funds—and from graduates of Pusan Commercial High School and the Korea University school of commerce.

However, adviser Kim Sang-hyon, hitting where it hurts, says "a party president should not use party money for his personal cause." Kim's implication is that if he himself takes over, such would never be the case.

Now, we need to examine the hurdles Yi must clear in his presidential race, including adviser Kim Sang-hyon and other adversaries within the party.

Adviser Kim Sang-hyon, Yi's biggest rival in the DP, already made clear his plan to make another bid for the control of the party, using his argument for separating party president and presidential candidate as a weapon. He is touring district chapters in Seoul and Kyonggi Province appealing for support, to the embarrassment of the mainstreamers. He is urging potential challengers for the party presidency to join him in a united front against Yi on a platform calling for separation of party president and presidential candidate.

Kim, who is demanding holding the DP national convention prior to the gubernatorial and mayoral elections, says: "In the coming elections, some 980 members in the local, municipal and provincial assemblies are affected, and they know who should be the DP president to assure their elections." He thus stresses that their sentiment is in his favor.

He promised to move his constituency to Taegu if elected party president. "I am convinced that Mr Kim Tae-chung will adhere to complete neutrality," he says, boasting that "after winning control of the party, I will, in the local elections, bring a crushing defeat to the DLP

and a commendable showing to the DP and a giant step forward to independents, and on that basis, go for DP victory in the coming general and presidential elections. I have my blueprints in place to accomplish this end."

Adviser Chong Tae-chol, Kim's ally, is another factor. Also supporting the separation of party president and presidential candidate, Chong makes no secret of his plan to "join hands with Supreme Committee members Kim Won-ki and Yi Pu-yong as well as Kim Sang-hyon in the next national convention."

As for the reformist group in the party led by Supreme Committee member Yi Pu-yong and Rep. Pak Chae-chong, its basic position is also against Yi. A source of this group says, without mincing words: "Despite all the hopes pinned on him at the time of the national convention last year as the standard-bearer of the new generation, Mr Yi is still unable today to build his influence even in what he calls his territory, the Yongnam region, much less in the Honam region, is he?"

This year alone, Yi visited Taegu and districts in North Kyongsang Province as many as nine times, devoting all his energies to building his influence there. Nonetheless, he is experiencing difficulties in picking candidates to run in the by-elections in the Taegu Susong-A district and Kyongju City which are expected for July. Put in the light of this fact, the above comment is suggestive.

#### "Will Stake My Political Future on Merger of Opposition"

Meanwhile, an immediate hurdle for Yi to clear is the question of a merger of all opposition forces, which is emerging as a serious issue as the by-elections draw near.

In this respect, he has been in close contact with the United People's Party, the New Korea Party, and Kim Kun-tae of *chaeya* [reformist camp]. During his visit to Taegu on 12 June, he even declared that "I will carry out the merger of the opposition, staking my political future on it."

After all, the blueprint produced by him over the merger issue will prove to be a major factor determining Yi's image.

An indispensable asset in building Yi's presidential chances is of course the support of Kim Tae-chung, now chairman of the board of directors of Asia-Pacific Foundation. At the national convention last year, the Tonggyodong faction spread the word, almost openly, that "Kim Tae-chung in his heart supports KT," contributing to KT's victory. Even today, no change is observed in the ostensibly close relationship between the two.

Supreme Committee member Kwon No-kap, the eldest member of the Tonggyodong faction says "Adviser Kim Sang-hyon is reportedly visiting district chapters, promising mayoral posts to local leaders in connection with the upcoming local elections. I don't think his wishes will come true." "To come out of parochialism and muster

pro-opposition forces in non-Honam regions," he notes, "the most realistic way is a merger of the opposition camp under the Yi Ki-tae leadership."

In the party's floor leader election, however, there were defections from among Tonggyodong assemblymen of Naeoe Munje Yongu-hoe. Furthermore, in more than 10 by-elections recently held in the Honam region, the DP was the winner in only two of them, including the 20 March North Cholla provincial assembly by-election. It suffered defeats in the rest of them. According to analysis, the developments, casting a gloom over securing Honam votes, reflect the sentiments of voters in the region who remain unable to emerge from the lethargy caused by the retirement of Kim Tae-chung, their "hope."

But there is no change in Yi's position. While constantly showing off his solidarity with Kim Tae-chung, he keeps in contact with him secretly and is committed to maintaining cooperation.

Realistically, Yi of course needs the Honam vote to win the presidential race. There is no question about it; however, according to another interpretation, all his moves in his relationship with Kim Tae-chung are aimed at a realignment of the political forces.

President Kim Yong-sam emphatically denies the possibility of a constitutional revision, saying there will be no such revision while he is the president. Also brushing off the possibility, the KT camp maintains that "it is not impossible that forces having little chances of independently taking power make an attempt at such revision for the sake of forming a coalition. Still, a constitutional revision is something impossible under the prevailing circumstances."

Some of those in the party who hang on to the thin possibility of a shift to cabinet system contend that "it can be the only political scenario which would enable Mr Kim Tae-chung to make a comeback." "In that case," they cautiously observe, "Yi may emerge as the real power holder within a two-Kim alliance and, with that possibility in mind, he will not try to end his ties with Mr Kim Tae-chung."

Among potential runners in the 1997 race, Yi is "treated as the candidate" most promising and having an early lead. Can he detach himself from the old practices of political leaders and—as he said in Taegu on 12 June—forge ahead step by step as if laying bricks piece by piece and reach the top in due course?

Only time will answer the question of whether Yi, the "heir apparent of the 4-19 ideology," can be the successor to President Kim Yong-sam and play the "role of completing democratization." After all, politics are measured by results and, therefore, we will be watching Yi Ki-tae's tomorrow.

### President Praises 1st Year of 'Real-Name System'

*SK1108091494 Seoul YONHAP in English 0859 GMT  
11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—President Kim Yong-sam said Thursday that the real-name financial transaction system has been successful in its one-year implementation although there still remain some difficulties to overcome in the future.

The chief executive emphasized the financial system will "prove successful in the end with the wise support of the people and will of the government" although there remain some critical difficulties to overcome such as the implementation of the global income tax system starting 1996.

President Kim made the remarks at a luncheon he hosted for 30 government officials and leading figures of financial and business circles in commemoration of the first anniversary of the invocation of the real-name system.

### Ministry Plans To Investigate Shifted Deposits

*SK1108091394 Seoul YONHAP in English 0841 GMT  
11 Aug 94*

[Text] Seoul, Aug. 11 (YONHAP)—People who have shifted their deposits totaling 200 million won or more from false-named accounts to real-named accounts since the invocation of the real-name financial transaction system a year ago will be investigated as to the sources of such funds early next year, Finance Minister Hong Chae-hyong said Thursday.

In addition, those who are suspected of having used such big money for real estate speculation or of having evaded taxes on gains from such money over the past year will also be subjected to the investigation. Hong told a press conference he called on the occasion of the first anniversary of the revolutionary real-name system.

To stamp out the so-called "documentless transactions," namely transactions conducted without invoices and receipts for tax evasion, the law punishing tax evaders will be amended so as to provide for punishment of dealers conducting documentless transactions.

At present, the law has no provision for punishing such dealers.

Documentless transactions are not decreasing in spite of the implementation of the real-name system, Hong stressed.

Under the amended law, dealers conducting documentless transactions will face a prison term of up to two years or a fine of more than two times the value added tax assessed on their "false" tax return.

To prevent financial transactions in borrowed or stolen names, financial institutions will advise from time to

time holders of accounts with a certain amount of deposit balance or more of such balance.

To expand the household check system, holders of "free savings deposit accounts" bearing annual interest rates of 3 to 9 percent will be allowed to issue household checks. At present, only holders of household current deposit accounts bearing annual interest rates of 1 to 3 percent can issue household checks.

Holders of individual pension deposit accounts and long-term housing deposit accounts will be excluded from the upcoming global income tax system for income from financial transactions, Hong said.

#### New 'Loan Loss Provisions' To Be Introduced

SK1108060394 Seoul *THE KOREA TIMES* in English  
11 Aug 94 p 9

[Text] The government has taken a slow but encouraging step toward helping ailing banks quicken the reduction of their nonperforming loans.

The Ministry of Finance said it will allow banks to set aside 3 percent of their credit as loan loss provisions. This will be treated as expenses and tax deductible, up from the current 2 percent limit.

The new rule will become effective from next year after the revision of the Tax Exemptions and Reductions Law this fall at the National Assembly.

This is designed to give incentives to banks trying to eliminate their nonperforming loans as quickly as possible, according to Assistant Finance Minister Yim Chang-yol.

The more banks trim their problem loans, the more tax they can save, he said.

The government also announced its plan to give banks a greater freedom in increasing capital, a move widely expected to help them reduce their troubled assets.

Banks were also ordered to publish details of new problem loans whenever they occur. They were also told to identify who is responsible for fresh nonperforming loans and take action to reduce them.

The Office of Bank Supervision has already ordered banks to write off bad loans over the next five years. This is a de facto order not to declare dividends for the next five years.

The government this week also issued an ultimatum to banks. It said it will introduce the deposit insurance system from 1995 at the earliest. This is regarded as a government declaration that it will no longer rescue ailing banks as was the case in the past, analysts said.

The government's belated move originates from the growing realization among policymakers that the major obstacle to speedy financial reform is the heavy nonperforming loan over-hang in the banking community.

The Ministry of Finance said it has completed or is undertaking 70 percent of the pre-announced financial reform programs. But it may unable to deregulate interest rates on demand deposits because this deregulation will deal a heavy blow to the Seoul-based commercial banks, analysts said.

They said the latest measure, although encouraging, will not fundamentally solve the financial woes major commercial banks face. They said bolder steps are needed to rescue the ailing commercial banks from the heavy burden of the nonperforming loans, about 70 percent of which is associated with the government's policy mistakes.

The problem loans are about three trillion won "officially" but more than 10 trillion won "unofficially." The latest government measures are related with the reduction of the "published" problem loans, without taking any measure to eliminate the "unpublished troubled assets," estimated at 7-8 percent of total credit.

If the "published troubled loans" are included, the Korean commercial banks are estimated to have nonperforming loans equal to 10 percent of their total credit.

Most of the "unpublished" problem loans took place in the middle of 1980s when the government initiated what it called industrial restructuring.

#### \*KEPCO Sells Technology, Services Abroad

942C0180D Seoul *HANGUK KYONGJE SINMUN* in  
Korean 13 Jun 94 p 7

[By reporter Kim Ho-yong]

[Text] The Korea Electric Power Company [KEPCO] is making an all-out effort to export electric technology. Believing that it has acquired international competitiveness in its project management ability in the field of power plant construction and operation, KEPCO has embarked upon selling technical services abroad. Late last month KEPCO signed technical cooperation agreements with the China Nuclear Industry Corporation, the Northern China Electric Power Group, and the Northeast Electric Power Group. It also exchanged letters of intent with the Yanji municipal government to jointly build a dual-purpose electricity and steam generation plant. In this way KEPCO is taking concrete steps to export electrical technology.

This reporter called on Yi Chong-hun, who once was an employee of KEPCO and who last year became its president, at his office in KEPCO Headquarters in Samsong-tong, Seoul. He has been in the forefront of a drive for management reform. The following are the details of this interview.

[Kim Ho-yong] I hear that your recent visit to China achieved good results.

[Yi Chong-hun] China Nuclear Industry Corporation is a large company with more than 300,000 employees. It is

a state-run corporation with experience in building nuclear power plants, and it produces its own equipment and materials. KEPCO has signed a contract with this company to provide technical assistance in building the Guangdong No. 2 atomic plant, a project with which it is currently pushing ahead. We exchanged letters of intent with the Yanji municipal office to jointly build two 100,000 kw dual-purpose power plants. In addition, we have signed technical exchange agreements with the Northern China Power Group and the Northeast Power Group. We intend to step up cooperation with them by exchanging expert technical personnel and technical information.

[Kim] What are your concrete plans to enter the Chinese power generation market?

[Yi] It is anticipated that when China builds power plants, it will call upon our company, whose project management capability is internationally recognized. The Northern China Power Group, with whom we have had exchanges, has proposed building a power plant [words indistinct] jointly with us. We plan to dispatch a group of experts to China in September. The Northeast Power Group, which is responsible for Manchuria's power supply, has asked us to participate in a feasibility study on a proposed nuclear power plant project in Liaoning Province. We plan to actively participate in this study, which is necessary to draw up a blueprint for the power plant construction project after examining the construction cost, the suitableness of the plant location, the environmental impact, and so forth.

[Kim] How big is the Chinese power generation market?

[Yi] The Chinese Government plans to increase China's total power generating capacity to 180 million kilowatts by the year 2000. Given the standard power generating capacity of 600,000 kw, China will have to build an additional 50 power plants each year to reach this goal. Power companies in the United States, Europe, and Japan are organizing financial companies to finance their operations in the Chinese power generation market. Our company plans to compete shoulder-to-shoulder with world-class firms.

[Kim] You have been forcefully pushing management reform since you have assumed your present post.

[Yi] Since the inauguration of the civilian government, there has been a widespread social atmosphere in favor of carrying out reform in various aspects of social life. We have been able to take advantage of this atmosphere to carry out our own management reform. We have reduced our staff by 490 people by eliminating the financial headquarters and using other reorganization measures. We have abolished 285 branch offices and reduced our 903 operation sites to 610. In recent years our personnel increased at an average rate of 1,200 workers every 5 years, but this year we have frozen the number of personnel for the first time in 25 years. I have

been staking my position as president in the fight against favoritism in handling personnel affairs and granting contracts.

[Kim] Is it in line with management reform that your company is expanding support for small- and medium-sized firms?

[Yi] That is right. Only when the technical capability of small business is upgraded, is it possible to lower the cost of power production and downsize our company's manpower and organization. Since last June we have been providing financial and technical assistance to 882 firms that have been cooperating with our company. We plan to spend a total of 112 billion won in support for small businesses by 1997, the last year of the 5-year plan.

[Kim] You are making an all-out effort to operate information and communication services, such as CATV and information transmission networks.

[Yi] Our company has adequate facilities necessary to operate transmission network services because it owns optical communication lines stretching over 3,200 kilometers, in addition to owning 600 antenna towers. Inasmuch as only a small fraction of the optical cable capacity is used in transmitting power, we have entered transmission network services in order to use our facilities effectively. We also plan to start a business that automatically handles electric and other utility bills by remote control.

[Kim] As Pohang Iron and Steel Company tries to list its stocks on the New York Exchange, attention is focussed on KEPCO's next move.

[Yi] Our goal is to have our stocks listed on foreign securities markets sooner or later. More immediately, we plan to raise funds on international securities markets. We have experience in floating \$350 million dollars worth of 20-year Yankee Bonds and \$1.3 billion worth of Global Bonds. We expect to receive high marks in international bond markets. Currently, an overseas credit evaluation agency is evaluating the credit rating of our company, and we expect to easily get an A rating.

[Kim] As the summer season draws closer, we are afraid that there might be a serious gap between power supply and demand...

[Yi] Barring an abnormal situation where temperatures of 36 to 37 degrees centigrade continue for several days, there will be no restriction on the electric power supply, nor will we ask factories to curtail their operations. We estimate the electricity demand and the power supply capacity in the peak months of July and August at 24,000 megawatt and 27,000 megawatt, respectively, with a power reserve rate of about 12.5 percent. This is below the optimum reserve rate of 15 percent, but it would pose no serious obstacle to enjoying a cool summer.

\* Ministry Grades Level of Key Technologies  
942C0160A Seoul CHUGAN MAEGYONG in Korean  
15 Jun 94 pp 41-42

[By reporter Kim Chong-hyon: "Facing a Long Long Way To Go Before Home-Producing Key Parts"]

[Text] How far has Korea come in advanced science and technology [S&T] fields?

Facing a new era of infinite competition as embodied by the World Trade Organization (WTO), which is about to be launched, the nation's competitiveness—namely, industrial competitiveness—has admittedly become a task of paramount importance for national survival, not to mention the survival of businesses. It goes without saying that a state's industrial competitiveness comes from its technological strength, which in turn lies in its scientific advances.

A recent report issued by the Ministry of Trade, Industry and Energy [MOTIE], entitled "Our Level in the Advanced S&T Areas," says that our technological level remains deplorably inadequate in this respect.

According to the report, we are still in a fledgling stage with our high-tech levels in the manufacture of major key components and parts in the globally promising industries such as electronic and electric, machine-building, automobile, metal, petrochemical, fiber, food, shipbuilding and ceramic.

The MOTIE notes that in its levels for specific promising products, Korea is in one of the following stages in the respective field:

- importing key parts and doing the rest of production at home;
- producing only mid- and low-class products as it lacks technology for high-class products;
- in an early stage of assembly production with imported parts as domestic demand is in the making;
- home production has not yet started but research and development [R&D] has been completed and test production is under way;
- still unable to begin home production because of the lack of technology, and technology import or R&D is in an early stage.

Thus, in most of the promising areas, industries are unable to turn out finished goods that are home-made true to the name.

Among products for which Korea has acquired most of the required technologies but a few key ones and, therefore, has to depend on imports for parts and raw materials are: notebook PC's in computers, machining centers in machinery, auto transmissions in cars, cold-rolled and surface-treated steel sheets in metals, MTBE [methyl tertiary butyl ether] in petrochemicals, extra-fine and composite yarns in fiber, and freeze-dried and functional products in food.

In the case of the notebook PC, it continues to depend on imports for all the key components it needs, such as CPU (central processing unit), LCD (liquid crystal display). In the case of machining centers, which account for 30% of the machine tool production, they are being produced mostly with imported technology and parts.

As for the auto transmission the demand for which is on the rapid increase, the industry is still either importing or manufacturing by imported technology such key components as torque and converter. In the case of cold-rolled and surface-treated steel sheets, the demand for which is likely to grow because of the rapidly expanding home appliance and car production, Korea is yet to acquire the needed technologies.

The demand for MTBE has been on the rise since it became mandatory for petrochemical industries to establish MTBE-use rates to protect environment. But this is another field where Korea finds its technology deficient. It also finds it difficult to produce such popular items as extra fine fiber, composite yarn, and functional processed knitted goods on its own.

#### Imports Parts for 33-inch, Larger TV

Among items for which Korea has no technologies for high-class products and is therefore producing only mid- and low-class products domestically are:

- large-size televisions in home appliances;
- semiconductors, chips and sensors in parts for electronics;
- special-purpose plated steel and lead frame material in metals;
- MPPO [modified polyphenylene oxide] in petrochemicals.

Twenty nine-inch or smaller televisions can be produced domestically; for 33-inch and larger TV's, however, the industry in assembly production relies on imports for cathode ray tubes (CRT's). As for the wide TV, production is out of the question for the technology currently available at home.

In the semiconductor, Korea largely depends on imports for non-memory-chip items, including ASIC's [application-specific integrated circuits], micro device and compound semiconductors, as its technological bases in these areas remain weak. For chips, too, while some items like resistor are produced domestically, the industry relies on imports for 50% of other key parts. In the case of sensors, either finished products are imported and sold at home or they are assembled domestically by importing key parts. As for MPPO, Korea largely depends on imports as it still lacks the PPO manufacturing technology, while manufacturing some simple products by importing resin.

Among items that are in an early stage of domestic production with imported parts, as domestic demand still is in its infancy, are:

- industrial robots and automated warehouses in machinery;

- anti-lock brake system [ABS] and air bag in auto industry;
- special cement;
- superhigh-speed [SHS] boat in shipbuilding.

Among items that the industry is currently unable to produce but has completed R&D and is conducting test production are:

- mini-disc, digital VCR in home appliances;
- 64-bit-class PC and TFT-type LCD in computers;
- high-purity sulfuric acid and photo resist (16-mega class or higher) and substitute substance for CFC in fine chemicals.

In the mini-disc area, while advanced nations are in an early stage of commercialization, Korea still is in a preparatory stage for production. With the digital VCR, firms are jointly developing a 12-mm product.

With the 64-bit-class PC, while advanced nations are in an early stage of commercialization, Korea is in an R&D stage. In TFT-type LCD, it is in the test production stage. For high-purity sulfuric acid and photo resist of 16-mega or higher class, which account for 40% of the total demand for chemicals used in semiconductor production, Korea depends on imports entirely.

Among items which are not yet produced at home, but for which technologies are being imported or R&D is about to start, are VAM [vinyl acetate monomer] and IIR [isobutene-isoprene rubber] in petrochemicals, and special-quality glass in ceramics. The domestic demand for VAM is skyrocketing but, Korea totally depends on imports for it—and for IIR, the raw material for tires—because it still lacks technologies for them. For special-quality glass, it is in the initial R&D stage.

#### \* Technological Levels of Korean Industries

##### Items in the Stage of Home Production With Key Parts Imported

Industry	Promising Product	Present State of Production
Computer	Notebook PC	Demand on rapid rise as substitute for desk-tops and due to first purchases: CPU, LCD imported
Machinery	Machining center	Makes up 30% of NC machine tool output; technology, key parts mostly imported
Automobile	Auto transmission	Demand growing rapidly, partly imported; torque, converter, other key parts plus technology imported
Metal	Cold-rolled, surface-treated steel sheet	high-class products mostly imported due to lack of technology; demand growing as home appliances & auto production increases
Petrochemical	MTBE	Demand rising globally as result of mandatory MTBE-use rates for environment protection; over supply of simultaneously-produced butadiene working as negative factor
Fiber	Extra fine fiber, composite yarn, functional knitted goods, textiles	Some fiber products using extra fine yarn imported; some special materials imported; demand sharply increases for processed items with functions such as shutting out ultraviolet rays
Food	Freeze-dried food, functional food	Lacks vacuum processing technology, imports related facilities; imitates foreign products, relies on imported technology

##### Items in the Stage of Home Production Only for Mid-, Low-Class Products

Industry	Promising Product	Present State of Production
Home appliance	Large-size TV (incl. wide)	Makes 29-in. or smaller at home, imports CPT for 33-in. or larger; makes no wide TV yet; training needed to gain basic HDTV large-screen technology
Electronic parts	Semiconductor	Mostly imported due to lack of technology bases in ASIC, micro device, other non-memory-chip items
	Chip parts	Demand growing because of SMD trend of electronic parts; makes resistor, some other products at home, largely relies on imports for others (over 50%)
	Sensors	Imports finished products, or assembles at home by importing key parts
Metal	Special-purpose plated steel	Makes up 23% of special steel production, a very low level (Japan: 35%), but output increasing as demand grows in quality and variety
	Lead frame	Domestic production level 208, advanced nations' level 300 (unit indistinct)
Petrochemical	MPPO	Mostly imported due to lack of PPO manufacturing technology, home-produces some simple composite products by importing resin

**Items in the Early Stage of Assembly Production with Imported Parts**

Industry	Promising Product	Present State of Production
Machinery	Industrial robots, automated warehouse	Firms making them on imported technology, or importing them to meet own or affiliates' demand; key apparatus, software mostly imported
Automobile	Anti-Lock Brake System, air bag	Demand growing as advanced nations push for their mandatory use and as safety measures strengthen at home; module, sensor, other key parts plus technology imported
Ceramic	Special cement	Technological development completed on construction-purpose product
Shipbuilding	SHS boat	Has building facilities for SHS passenger boats, R&D in progress on SHS freighters

**Items for Which R&D Completed and Test Production Under Way**

Industry	Promising Product	Present Stage of Production
Home appliance	Mini-Disc	Advanced nations in early stage of commercialization, Korea still preparing to begin production
	Digital VCR	This is a next-generation mainstay, firms jointly developing 0.5-in. (12-mm) product, separately developing 8-mm product; digital signal processing technology is key technology with bearing on HD-applied machines
Computer	64-bit-class PC	Advanced nations in early stage of commercialization, Korea in R&D stage
	TFT-type LCD	Test production began recently; Production likely to gain sharply to meet demand from notebook PC, liquid crystal TV, aircraft displays
Fine chemicals	High-purity sulfuric acid (16-mega-class or higher)	This makes up 40% of all chemicals needed for semiconductor production, Korea entirely relies on imports (material for 4-mega DRAM or lower is home produced)
	Photo resist	local production facilities under construction for material for 1- to 4-mega DRAM; material for 16-mega or higher DRAM imported in entirety
	Substitute material for Chlorofluorocarbons [CFC's]	Demand for substitute expected to gain sharply due to control of CFC use to begin in 1995; R&D completed on some products, production facilities under construction

**Items for Which Technology Acquisition or R&D Is in Initial Stage**

Industry	Promising Product	Present State of Production
Petrochemical	VAM	Demand growing sharply due to recent domestic manufacturing of low-class products; totally relies on imports because of lack of technology
	IIR	Demand for IIR, material for tire, on the rise as auto industry grows; totally relies on imports because of lack of technology
Ceramic	Special-quality glass	In early stage of R&D

\* **New Regulations on Firm Acquisitions Proposed**  
**942C0180A Seoul HANGUK KYONGJE SINMUN in**  
**Korean 13 Jun 94 p 1**

[Text] Beginning next year, when large firms take over other types of smaller firms through hybrid merger or acquisition, they will be required to report to the Fair Trade Commission (FTC).

In order to prevent a concentration of economic powers in the hands of a small number of large firms through the indiscriminate expansion of business operations, on 12 Jun the FTC introduced a system that makes it mandatory to report to the government when a hybrid merger takes place between two or more firms in different types of business. This way the government may not allow large firms to stand in the way of competition or reap excessive profits through mergers.

The FTC plans to integrate this "measure to improve the business merger system" into the amendments to the Fair Trade Law scheduled to be introduced in the National Assembly this fall.

Under the current law, only firms with 5 billion won or more in paid-in capital or with total assets of 20 billion won, as well as firms belonging to the 30 largest business groups, are required to obtain FTC approval when they carry out vertical integration (between assembly firms and parts suppliers) or horizontal integration (between similar business types).

Explaining the reasons for the new regulation, an FTC official said: "In the past, the credit regulations for large firms had the effect of barring hybrid mergers between different types of businesses. But with the credit control system scheduled to be lifted, we see the necessity of

adopting new measures—in lieu of the credit controls—to more tightly control business mergers.

The same official disclosed that there was an opinion in favor of limiting the total amount of capital in case of a hybrid merger between a firm belonging to a business group other than the 30 largest groups and other smaller firms. However, this opinion is not under consideration because such a restriction might hamper the creative initiatives and autonomy of business.

On the other hand, with a view to narrowing somewhat the current range of large firms required to report when they merge with smaller firms, the FTC plans to raise the standard amount of capital or total assets used in determining the reporting requirement for firms not belonging to the 30 largest business firms.

#### \* Automobile Industry Developments Analyzed

942C0156A Seoul CHUGAN MAEGYONG in Korean  
25 May 94 pp 40-42

#### \* Intense Rivalry in ROK's Upscale Auto Market

942C0156A Seoul CHUGAN MAEGYONG in Korean  
25 May 94 pp 40-42

[By reporter Yi Sang-kyo]

[Text]There is intense competition in the auto industry over the full-size luxury passenger-car market. Competition for sales between three companies, Hyundai, Kia, and Daewoo, truly resembles combat.

The grim pursuit by Kia and Daewoo, targeting domestic front-runner Hyundai Motors, is desperate. When Kia came out with a new 2000-cc model early this year, Daewoo imported Honda's 3200-cc Legend and started selling it under the name Arcadia. Hyundai then went a step further, developing a new 3500-cc model to deal with the pursuit of the less-developed companies. Ultimately, each company came out with a new model this year, bringing a gradual change in the makeup of the luxury-car market.

The offensive strategies of Kia and Daewoo are gaining success in countering the defensive strategy of Hyundai, which is trying to maintain its lead in the market. Kia rose to the forefront of the 2000-cc market as soon as it came out with a new 2000-cc model. Daewoo boasts the lead in 3000-cc-and-above, super-luxury models. Accordingly, market leader Hyundai launched an all-out counter attack through output adjustment. This year's luxury passenger-car market is witnessing an intense free-for-all between lead and closely-pursuing carmakers.

#### New Grandeur April Market Share 46.1 Percent

Since 1987, Hyundai Motors had controlled the luxury-car market, with a share of over 70-percent. The competitiveness of luxury cars produced by competitors Kia and Daewoo was that low. Its share of the market started to drop in 1992, however, as Kia Motors imported

Mazda's Luche [unable to confirm English spelling], developing the Potentia. That the Grandeur's life cycle entered its period of decline was also a significant factor.

Hyundai Motors' share of the luxury passenger-car market took a large downturn to 61.9 percent in 1992. However, its share rose again as it came out with the New Grandeur, jumping to 68.1 percent in 1993. The New Grandeur, jointly developed with Mitsubishi, was very appealing to consumers. Its sales rapidly increased. 20,433 Grandeurs were sold in 1992. When the New Grandeur came out in 1993, sales increased 44 percent over the previous year to 29,500 units.

This year, however, Grandeur sales have been unable to avoid hard fighting. Although its share of the January luxury-car market, which sold a total of 3,230 units, was 71.9 percent, the atrophy of its sales has been increasing since February. In late April, Hyundai's market share was 46.1 percent. This is the first time Hyundai has experienced such hard fighting in the luxury passenger-car market. Its market share dropped considerably due to the continued introduction of new models by competitors. Of course, Hyundai introduced a 3500-cc model with the largest displacement in the country. However, its influence on the market was not that great.

Related to this, Hyundai interprets this to be the result of as yet low consumer awareness of the Grandeur 3.5's performance and quality. This problem too is expected to be resolved soon, however.

They predict that as time goes by, the Grandeur's performance and quality will be acknowledged as superior to that of competitors. Soon sales will greatly increase, they say.

Hyundai also insists that the Grandeur's being pushed out by Kia Motor's 2.0 Potentia in the 2000-cc class is the result of production problems caused by facility construction for expanding output. Thus, concerning the recent drop in its market share, Hyundai takes pains to explain that this is a "temporary phenomenon" about which it is not greatly concerned. It has confidence in the competitiveness of the Grandeur. Its performance highly superior to its competitors, the Arcadia and Potentia, the Grandeur's market share may soon be restored, confidently say Hyundai representatives.

With the expansion of Grandeur production facilities in particular, supply amounts are anticipated to increase beginning in May, bringing the company's market share back up to the 60-percent mark.

Developing the Potentia in April 1992, Kia Motors challenged Hyundai Motors' hold on the luxury passenger-car market. Importing Mazda's Luche and developing it into the Potentia, Kia sold 6,234 2.2- and 3.0-model cars in 1992, occupying 18.9 percent of the luxury-car market. In 1993, however, sales actually dropped, despite an increase of over 10,000 units in the demand for luxury cars. Its market share fell to 13.8

percent. Sales contracted dramatically when Hyundai Motors came out with the New Grandeur, the Grandeur changed into a full model. Deciding to break through this difficult situation with a model-diversification strategy, Kia added a new model to its 2000-cc class, which is the most important of the luxury-car market. 2000-cc models make up an absolute majority of domestic, luxury-car demand.

At 49 percent of luxury passenger cars sold in 1992, the relative importance of 2000-cc model sales was somewhat low. In 1993, however, this increased to 62 percent. At present, in late April of this year, sales are at 71 percent. This speaks to the fact that 2000-cc models make up the absolute majority of luxury-car demand. However, Kia had no 2000-cc models, but had come out with one in the 2200-cc class. Thus, it is pointed out, it was somewhat at a disadvantage in market competition. To this, Kia Motors set its model-diversification objective on the 2000-cc class.

Coming out with a 2000-cc model early in the year, Kia stirred up a whirlwind in the luxury-car market. When it came out, it quickly became the best selling of the 2000-cc luxury-car models. Sales beginning in late January, the Potentia 2.0 recorded the sale of 140 units in January and 1,736 in February, leaping beyond Hyundai's New Grandeur 2.0 (1,105 units). In March and April too, it showed success in maintaining first place in sales among domestic luxury-car models.

Its targeting the replacement demand of medium-sized passenger car owners and its exceptional price are counted as factors in the success of the Potentia 2.0. The sale price of the Potentia 2.0 is 1.35 million won [W] cheaper than that of its competitor, Hyundai's New Grandeur. Kia conducted a thorough market-demand study when deciding on a price. As a result of the demand study, although 60 percent of medium-sized car owners desired to purchase a large-sized car, only 30 percent actually did so. Price was the greatest factor preventing hopeful buyers from making an actual purchase. Thus, concluding that demand would greatly increase if the cost burden of owner-drivers was reduced somewhat, Kia fixed a sale price cheaper than that of competitors.

Kia is setting up a strategy for linking the 2.0 model's success to sales expansion in a 3.0 model. Particularly, since its competitors have continually come out with 3000-cc-class-and-above cars, the company plans to use this as an opportunity for extending sales of the 3.0 President.

#### **Kia Potentia Makes Strong Showing in 2000-cc Class**

Daewoo Motors is pouring all its efforts into reclaiming its past fame in the luxury-car market. Up through the mid 1980s, when domestic car production was limited to small- and medium-sized cars, Daewoo Motors firmly held the lead position in the then medium-sized luxury-car market. However, as the era of automobile popularization opens in earnest, it has been unable to avoid a

hard fight and has been brushed aside by Hyundai Motors. This trend continues to the present. This was the result of its inability to satisfactorily develop new models due to lack of cooperation by GM, with which it was involved in a joint venture.

Continually upgrading its Royal Salon model, Kia schemed to recover from its inferiority. However, this was difficult with the Royal Salon, which had already entered the period of decline in its life cycle. Given such circumstances, Daewoo imported Honda's Legend to recapture its past glory in the large-size car market. This strategy has had considerable success so far. First seen last February, the Arcadia was brought out full scale beginning in March. In April it recorded the most sales in the 3000-cc-and-above class.

Selling 528 units in March, the Arcadia set a sales record of 652 units in April. Contrarily, sales of the 3.5 Grandeur, brought out by Hyundai to go against the Arcadia, increased from 104 units in February to 331 units in March, but was faltering at 96 units in April. The 3.0 Grandeur also surpassed the Arcadia in March, selling 590 units. It dropped behind the Arcadia in April, however, at 376 units. Kia's Potentia 3.0 has also been unable to reach the Arcadia's large sales numbers.

The Potentia 3.0 only sold 53 units in January, 73 units in February, 82 units in March, and 64 units in April, putting it at the tail end of the three companies' luxury cars. Owing to the favorable sales of the Potentia, Daewoo's share of the large-sized car market is greatly increasing. At 19.3 percent in 1992 with the one model, the Super Salon, its market share dropped to 18.1 percent in 1993. This year, however, its market share is presently at 19.9 percent in late April. For one month last April, it had increased to a prodigious 26.3 percent.

Together with the Arcadia, Super Salon sales greatly increased. The large-sized passenger car speaks for the technical capabilities and quality of automakers. Thus, each company, apart from considerations of marketability, is strengthening investment in large-sized passenger cars. This is because the reputation of a company's large-sized passenger cars is the company's reputation for technical know-how and quality.

The companies have no choice but to attach importance to the large-size passenger-car market. As for marketability, the large-size passenger car market is growing rapidly every year. The higher income levels go, the greater the tremendous growth of demand in this market. Unless a strong position is built in this market now, it will be impossible to control it in the future. Thus, competition between the three automakers over sales in the large-size passenger-car market, on which their pride is at stake, is expected to intensify with time.

#### **\* ROK Auto Exports Up Sharply**

942C0156B Seoul CHUGAN MAEGYONG in Korean  
1 Jun 94 pp 14-16

[By reporter Yi Sang-kyo]

[Text] Auto exports have been lively until recently. At present, in late April, 21,960 units have been exported, showing an increase of 15 percent over the same period last year. However, although this growth rate is considerably higher than the entire domestic export-growth rate, it is short of car-export targets.

#### Late April Growth Rate 15 Percent

Last year's car exports reached 638,500 units. Therefore, there must be a more than 25-percent increase to meet this year's export target of 800-thousand units. As of late April, however, the export-growth rate is only 15 percent. Moreover, April exports dropped 12 percent below March figures. In addition, due to conditions in China, Turkey, Iran, and Pakistan, to which approximately 130-thousand units were shipped last year, exports to these countries are dropping rapidly this year.

Sales in the major markets of the United States [U.S.] and Europe are inactive, becoming a cause of anxiety. Although the export-growth rate is recording relatively high figures, no progress is being made with this year's plan. Domestic companies originally expected to recover from their inferiority in price competitiveness due to the influence of a strong Yen, believing extensive growth was possible. Beginning in the latter half of last year, car exports actually started to increase explosively. Last year it was planned to export of 600-thousand units. This target was surpassed with the export of 638,500 units, however.

This is an increase of some 40 percent over 1992. Surpassing its planned 320-thousand units, Hyundai Motors exported 349,300 units. Kia Motors, with a target of 140-thousand units, sent out 158,000 cars. Also, Asia Motors exported 14,700 units from its plan of 11,000; Ssangyong Motors expected to export 4,000 units, but sent out 4,074. Thus, each company surpassed its goals. Although Daewoo Motors and Daewoo Choson were a little short of their targets, they recorded growth rates of 87 percent and 153 percent respectively. Each company achieved enormous growth rates.

Behind Japanese companies up through 1992, as the price competitiveness of Hyundai Motors revived, sales started to recover in North America. Exports to Asia, the Middle East, South America, and Oceania jumped. It was particularly successful in special exports to China. Main-force models were the Excel and the Elantra. Kia Motor's exports to North America started to increase rapidly as it replaced the Pride with the Aspire as its main export model.

The company's main plan being the opening up of foreign markets, Daewoo achieved enormous export growth last year as C.E.O. Kim U-Chung began working directly to open foreign markets. Limits placed on its advances into certain markets being in effect until the end of this year following its break with GM, Daewoo launched concentrated offensives into the Middle East, Asia, South America, Eastern Europe, and other markets

from which it is not restricted. It gained considerable success. Asia Motors was successful in its lively development, centered around buses, of markets in Saudi Arabia, Turkey, Syria, Chile, and Argentina. Daewoo Choson concentrated on light-vehicle exports to Uzbek and other regions of Eastern Europe [as published]; Ssangyong, on the export of its four-wheel drive Korando to China and Spain.

Thanks to these efforts, last year saw record highs in car exports and export-growth rates. Last year's greatest export model, the Hyundai Excel, sent out 173,388 units, making up 30.6 percent of total car exports. Next was the Elantra at 15.7 percent with 89-thousand units exported. Daewoo's LeMans occupied third place with 73-thousand units (13.1 percent). Sending out 41-thousand units (7.3 percent), the Pride took fourth place. The Scoupe occupied fifth place, recording 40,400 units exported (7.1 percent). Besides these, the Sonata had 3.9 percent; the Sephia, 3.6 percent; and the Espero, 3.5 percent.

Small-size cars are still the main export models. However, one thing about last year worthy of note is the fact that commercial-car exports greatly increased. Of the total of 638,500 vehicles, passenger cars, including four-wheel drive vehicles, made up 89.6 percent, with 572-thousand units exported. This is a 33.9-percent increase over 1992. Compared with this, commercial vehicles made up 10.4 percent with 66-thousand units, but showed an incredible growth rate of 131 percent. Representative of commerical-vehicle exports are the small-size bus and light truck.

Kia's Besta was exported in large quantities to Jordan, Syria, and Turkey in the Middle East and to Chile and Colombia in South America. The export of Asia Motor's Topic was concentrated in the Middle East; bus exports showed a growth rate of 167.5 percent over the previous year. Exported in large quantities to the Middle East and South America, Kia's Ceres [unable to confirm spelling] showed an increase of 92.9 percent over the same period last year. Daewoo Shipbuilding's light truck, Labodo [unable to confirm spelling], greatly contributed to the increase in exports.

Looking at car exports by region, as expected, most went to the North American market, to include the U.S. Originally, companies had planned to export 161-thousand units, but actually exported only 147 thousand.

The Western European region recorded 131-thousand units, and increase of 20 percent over the previous year. Last year the European car market was in its worst slump, but exports to it increase following the introduction of new models and advances into new markets. Kia made sent the Sephia into the European market; Ssangyong exported the Korando in earnest. It also made new inroads into France, Spain, and Belgium. Daewoo moved into Cyprus with the LeMans.

### Sales Falter in U.S. Market

With special exports to China and Pakistan, and the expansion of the KD market [as published], exports to the Asian market recorded a growth rate of 91.4 percent over the previous year. Thanks to efforts by the industry to open new markets, exports to Eastern Europe, the Middle East, South America, and Oceania recorded a growth rate of 48-143 percent.

Excluding the North American market, including the U.S., and the African market (10.5-percent reduction), last year's car exports realized enormous growth. Thanks to this upturn in exports, domestic carmakers set their export targets for this year at over 800-thousand units, some 25 percent higher than 1993's record. Rapid growth was maintained even up through March, as if sailing before a favorable wind. At 164-thousand units, car exports through March recorded a growth rate of 27.2 percent over the 129-thousand units of the same period in 1993. The breaks were put on this growth in April, however. The growth rate is quickly slowing down. At 58,400 units in mid April, car exports are down 12 percent from the 66,400 units of March.

Accordingly, the total export-growth rate through the end of April fell to 15 percent over the same period last year. The greatest factors behind such a rapid slowdown are a sales slump in main markets and inactivity in China and other new markets opened last year.

Daewoo Motors saw a reduction of 16.2 percent over the same period last year; Daewoo Shipbuilding, 56.8 percent. Meanwhile, Asia Motors and Ssangyong Motors showed growth rates of 73.9 percent and 121.2 percent respectively.

This year the American car market is showing signs of rapid recovery.

American car demand is up 15.4 percent over the same period last year. As of late March, car exports to the U.S. are up 90.8 percent over the same time last year, at 54,600 units. Accordingly, American (12.6 percent), European (31.7 percent), and Japanese (20.9 percent) companies are showing high sales-growth rates.

Only Korean cars experienced a 14-percent reduction in sales. As of late March, car exports to the Americas recorded a 90.8-percent increase over the same period last year, at 54,600 units. Sales within the U.S., however, at 33,800 units, actually shrunk by 14 percent compared to the same time last year.

Such shrinking sales of only Korean cars in the U.S. market is understood to be a result of weaker price competitiveness due to a price increase implemented late last year. This is also evidence that efforts by foreign companies to win intensifying competition are bearing fruit. Actually, in price, the Chrysler Corporation's Neon is already more than a match for Japanese cars and is threatening even Korean cars. Even with 2000-cc displacement and dual airbags, it is sold for \$8,975. Compare this with the \$9,799 Elantra, which has an airbag on

the driver's side only. The 1600-cc Sephia, full-scale sale of which began on February 3rd, is sold for \$8,495 with no airbag installed. In the competition over price, let alone quality, we are encountering an adversary too strong for us.

Accordingly, in April, exports to the U.S., which had been doing extremely well up through March, showed a 16.6-percent reduction from the previous month. Hyundai's exports dropped 20.5 percent; Kia's, 11.2 percent. The situation in Western Europe is similar. Showing the worst-ever auto activity last year, the European market weaken this year; sales are shrinking to a great extent. Up through April, exports to Western Europe witnessed an 18.1-percent growth rate over the same time last year. However, April's exports showed a reduction of no less than 36.5 percent from March's figures.

### Exports to China Region Up

Eastern Europe is worse. Total exports actually show a 9-percent reduction from the same period last year. The very-slow exports of Daewoo, Asia, and Ssangyong are the reason for this. The situation is severe in the Asian region as well. Exports have almost been cut off this year to China and Pakistan, seen last year as promising new markets.

According to official export statistics, exports to China last year reached 22,100 units. However, following the strengthening of import controls this year, exports have been suspended, excluding some quantities of material (Hyundai, 407 cars; Kia, 16 cars) shipped early in the year. Due to taxi and other special imports last year, exports to Pakistan increased over 127 percent from the previous year, reaching 18,100 units. This year, however, exports have been completely suspended due to Pakistan's shrinking economy and the end of its special taxi imports.

Accordingly, as of late April, car exports to the Asian market have been limited to 9,600 units, a reduction of 76.8 percent from the same time last year.

The export-reduction rate is 79 percent for Hyundai, 86.4 percent for Kia, 58.6 percent for Daewoo, and 82 percent for Asia Motors. The Middle Eastern market is maintaining a relative increase. Although exports to Turkey and Iran are shrinking due to an economic crisis and a foreign-currency shortage, exports to other areas are doing well.

Twenty-nine thousand six hundred units were exported to Turkey last year, an increase of over four times that of the previous year. However, due to an economic crisis, export orders have almost ceased this year, with only 3-thousand-some units shipped through April. Kia Motors exported 17,500 units last year, but only 993 units as of late April. Exporting 9,600 units [last year], Hyundai Motors has sent out 2,461 units through the end of April, but is getting no new orders. Iran too, which imported 28,300 cars last year, is gradually becoming

late on its payments due to a foreign-currency shortage. Following a drastic reduction in arriving letters of credit, new shipments are not being made to Iran. However, Saudi Arabia and other markets are showing an upturn. As of late April, car exports to the Middle East are up 89.9 percent over the same time last year, with 31,900 units shipped.

Along with the Middle East, South American exports are active. The popularity of Korean cars is very high in Colombia, Peru, Chile, and Brazil. Exports to South America, at 34,900 units, have increased some 29.1 percent over the same time last year. Exports to the African region also increased 16.5 percent; the Pacific region, 33.1 percent.

**\* Samsung's Auto Plans 'Temporarily' Frustrated**  
*942C0156C Seoul SISA JOURNAL in Korean 2 Jun 94*  
*pp 82-83*

[by reporter Kim Pang-hui]

[Text]The "war" is not yet over. The war of nerves between the Ministry of Trade, Industry, and Resources [MTIR], which considers unwelcome the Samsung Group's penetration into the passenger-car market, and the Samsung Group, which wants to somehow enter the market, is in a lull.

The MTIR has not officially announced its position against Samsung's entering the passenger-car market. At one time, the MTIR studied the possibility of announcing this just before Trade and Industry Minister Kim Chol-su left the country on May 14th. The Samsung Group also softened its position. After confirming the MTIR's position to a certain degree, Samsung held back its plan to submit a technology-introduction report. It is watching for a better time or considering a circuitous method of entering the passenger-car market.

Stories of reconsideration by the side disheartened early in the conflict are of more interest than prospects on the uncertain outcome of the war. Within Samsung, the work is underway of thinking over why entering the passenger-car market, which no one had suspected it would be unable to do, had become so difficult. Within Samsung subsidiaries they count their excessive confidence as the major miscalculation leading to their defeat. Pursuing a New Management in time with the birth of the Kim Yong-sam administration, Samsung has been reported to have been closer, or to be closer, to the new administration than any other group. No one within or without the group doubted this fact. No one expected the Kim Yong-sam administration to put the breaks on Samsung's long-cherished project. Thus, they were overly optimistic about the situation.

#### **"Anti-Samsung Current" Strong Among MTIR Officials**

The problem actually started in the MTIR, which has actual authority over entrance into the passenger-car

market. MTIR officials stood up to oppose it. "I didn't realize MTIR officials had such antipathy toward Samsung," said one Samsung official who had contact with them. It was actually the MTIR officials in charge who most strongly and frankly stated to the government and the media that Samsung must not enter the passenger-car market. They leaked their negative opinions to the press before any other economic ministers.

The second miscalculation also is related to the viewpoint. The good relationship between Samsung and the administration may actually have been a stumbling block in the way of the progress of the passenger-car project. Upon reflection, some at Samsung believe that the anti-Samsung current among MTIR officials stems from a mistaken publicity strategy by the Samsung Group. Concerning this, one Samsung Group internal report assessed the company's publicity strategy as follows.

"After the birth of the present administration, Samsung's public image was elevated by the publication of its New Management. That much was good. However, with its education program at the Democratic Liberal Party Training Institute, etc., it gave the feeling of exaggerated packaging Samsung's relationship with the present administration." Here, exaggerated packaging means that it made the group seem closer to the present administration than it actually is. To put it another way, this was self-reflection, questioning whether the publicity was not just gaudy packaging without real substance. Since the birth of the Kim Yong-sam administration, Samsung has as yet had little real success in securing new projects and enterprises compared with other groups. This is in contrast to substantive gains made by the Lotte Group, which recovered the Lotte World site, the Lucky Goldstar Group, which in actuality took over Dacom, and the Sunkyong Group, which acquired the Second Korean Mobile Communications Project. The question is asked at Samsung as to whether its being accused as the "main culprit" in breaking the principle of the separation of politics and economics was not due to problems in its publicity strategy.

Senior officials in the Kim Yong-sam administration had no choice but to accept the hard-line opposition of the MTIR because of public opinion on the relationship between Samsung and the administration, according to the perspective of Samsung. If the administration were to authorize Samsung's passenger-car project in such circumstances, a controversy would result over preferential treatment for conglomerates. It is thought this would unavoidably become a burden to the administration's future management of state affairs. Samsung Group officials painfully reiterate that in their pursuit of the company's entrance into the passenger-car market, they did not fully consider such variables external to the economy.

It is difficult, however, to view this as a complete end to the honeymoon relationship between Samsung and the

administration. Even while saying that there had actually never been a honeymoon relationship, one division chief in charge of publicity at a Samsung Group subsidiary carefully predicted, "I think we'll be placing more importance on the advice of previous chairmen to be neither too close nor too distant from those in power."

Even brushing aside this outlook, it is clear that Samsung will come to consider substance more important than a display of influence. There are clear signs it intends to get a psychological compensation by obtaining real profit in the course of the privatization of some public enterprises, including Korean Fertilizer—concerning which bidding is to begin May 26th.

#### Pusan Region Public Opinion, a Ray of Hope

Within the Samsung Group they are predicting that, in the future, factors external to the economy, and particularly political currents, may turn against the company's passenger-car project. They conclude that the administration will not, by authorizing Samsung's entrance into the passenger-car market, let this become an issue in the regular session of the National Assembly to open soon or in the local-council-chief elections to be held next year.

Some in the Samsung Group see a gleam of hope in the public opinion of the Pusan region. On May 3rd, representatives of the Pusan Chamber of Commerce interviewed Trade and Industry Minister Kim Chol-su. Pusan-area businessmen desiring to attract a Samsung passenger-car factory even conducted a joint signature campaign. Finally, on May 14th, Deputy Prime Minister Chong Chae-sok visited Pusan, listening closely to the requests of Pusan merchants and industrialists asking that Samsung's passenger-car project be authorized in order to revive Pusan's local economy. However, as if the commonly-held view that it is close to the present administration were a restraint, Samsung is also concerned that the political sensitivity of the Pusan region might actually act against the project.

It is because of precisely this point that Samsung bitterly laments that it is too late. The Samsung side believes there have been two opportunities since the present administration took office by which it could have entered the passenger-car market. The first was in the latter half of last year, when Samsung's subsidiary, Samsung Life, caused a controversy by buying up Kia Motors stock. It should have brought to a conclusion the issue of its entrance into the passenger-car market when it had become a matter of public debate, even at the risk of incurring negative public opinion. It is not clear how strongly this position was argued within the group at that time. However, it can also be interpreted to have reviewed a plan for a "hostile takeover" of Kia Motors.

The other opportunity occurred late last year, when there was no great oscillation in President Kim Yong-sam's political leadership. At that time, even if it had submitted a technology-introduction report using blitzkrieg tactics, it is believed there would have been no great

controversy over preferential treatment of Samsung. Before that, a decision had not been made on its technological partners; there had been no alternative to taking over an existing company. However, around the end of last year, the range was narrowed of possible participants in a joint venture. If the company had only pressed a little harder, it is said, it could have also submitted a technology-introduction report.

Why, then, did Samsung make the mistake of missing a good opportunity? "It is a fact that we over calculated every possible consideration. It's the group's long-cherished project, so we couldn't help but be careful about everything. I even think, were we too careful?" This is the self criticism of one executive of Samsung Heavy Industries. Ultimately, Samsung's characteristic prudence was the greatest cause of its early defeat.

#### Plan To Revamp Communications Market Suggested

942C0166A Seoul HANGUK KYONGJE SINMUN in Korean 17, 21 Jun 94

[Article by Pang Sok-hyon, head of the Communications Development Research Institute: "Objectives in Restructuring the Communications Market"—first paragraph is HANGUK KYONGJE SINMUN introduction]

[17 Jun p 21]

[Text] [At an 8 June "public hearing on objectives in restructuring the communications industry," the Communications Development Research Institute came up with a plan for a sweeping restructuring of the communications market. Below we will examine this plan in two installments: the purpose of the plan and suggestions for legal and institutional restructuring in the first installment, and the objectives in revamping the basic communications market and suggestions for introducing new services in the second installment.]

The communications service industry—a value-added, high-tech industry—occupies an ever-increasing weight and importance in our national economy partly because it deserves its place as the nation's promising strategic industry in the 21st century and partly because it will help other industries improve their efficiency by turning them into information-based industries.

The communications service industry has experienced drastic paradigm changes for these 10 years or more, and the process is expected to continue in the future. The change appears in the following four phases: First, immense technical progress is being made. To give but a few examples, the development in wire and radio communications technologies; the emergence of new communications services, the fusion of triple C (communication, computer, and CATV); the media fusion phenomenon in which broadcasting is shifting to cable transmissions from radio transmissions, while communications services are shifting to radio transmissions

from wired transmissions; and the emergence of multi-media network technology which enables transmission of voice, data, and images at the same time. Second, there is a distinct tendency among communications service providers to diversify operations. Communications firms in advanced countries are actively pushing the diversification of their operations through mutual strategic tie-ups. They are not only carrying out vertical integration of wire and radio communications services, but are even trying to expand their operations into broadcasting services. They are also participating in overseas operations. Third, in line with the tendency toward deregulation, competition is accelerating in the communications industry. As the infrastructure of information and communications services is acknowledged as a key element in the nation's competitiveness, regulatory agencies in various countries are simultaneously easing regulatory controls and expanding competition in the communications industry. Fourth, pressure is mounting to open basic communications services, such as telephone and exclusive line services. On the strength of the extensive deregulation and competition in their home markets, and through the Uruguay Round [UR] negotiations on opening basic communications markets and other multilateral and bilateral negotiations, advanced countries are pressing for drastic market approaches by demanding that developing countries, including the ROK, remove legal and institutional barriers and fully permit foreign investments.

Our present communications market structure is the outcome of the structural adjustment of the communications industry in 1990. The 1990 adjustment was significant in itself in those days, but it entailed many problems as a result of the subsequent changes in the communications market environment. For instance, the arbitrary business division between general and special communications services has seriously hampered the fusion of wire and radio communications technologies and the diversification of services. In fact, improvements in the competitiveness of communications firms have been inadequate because competition was only permitted in limited areas, such as value-added and international telephone services. Almost the same regulatory restrictions imposed in the period of monopoly have been applied, resulting in little genuine competition—even in areas where competition was introduced—and even delaying the introduction of new services.

The suggested plan for restructuring the communications market is aimed at not only developing the communications service industry to cope with the changes in its environment but also at upgrading our national competitiveness by promoting government-sponsored industrialization measures and inducing the development of the communications equipment industry. The following are the key objectives in the restructuring plan: First, the relaxation of restrictions on service areas: There should be no restrictions on expanding service

areas by communications carriers. Second, the expansion of competition: Communications service firms will improve their competitiveness through increased efficiency in order to cope with the opening of the communications market to the outside world. Opportunities will be expanded for the private sector to enter the communications industry. Third, deregulation: The goal is to create an atmosphere conducive to actual competition and promote the introduction of new services. These three policy objectives are so closely interrelated that if any one is not fulfilled adequately, none of the intended goals will be attained. They constitute the triple pillars propping up the restructuring plan. There is a big difference in the basic tone of the 1990 readjustment and the 1994 restructuring plan. The 1990 structural readjustment was aimed at regulating communications service providers, whereas the 1994 restructuring plan is aimed at a market-oriented restructuring to open the market to all potential entrants.

The restructuring plan has six important elements in the legal and regulatory aspects of restructuring.

First, the practice of dividing the communications service providers between general and special providers will be abolished so that one provider may enter the turf of another, thereby promoting the fusion of technologies and the diversification of communications service providers. Cross-investment among communications service providers will be permitted to give them opportunities to effect mutual strategic cooperation. Second, the holdings ratio for basic communications service providers will be modified using the current holdings ratio for special providers (up to one-third of the stocks) as the basis, from the standpoint of insuring the autonomy of business operations. In multiplying the synergistic effects from a combination of service and equipment industries, it is most desirable to ease the restrictions on the holdings of communications equipment manufacturers as well. Currently, almost all enterprises that can operate communications service and almost all communications equipment manufacturers are big conglomerates. In view of the serious misgivings about the concentration of economic power in large conglomerates, the current holdings ratio will be maintained until such time as government-wide comprehensive measures are worked out to curb the concentration of economic power. Third, the current regulatory measures that primarily adjust and control new entries will be redirected toward inducing and promoting new entries. In other words, statutory restrictions on the number of providers will be removed; the conditions for new entries will be eased; and the method of restricting the business domains of value-added communications service providers will be changed from the current "positive listing" method to the "negative listing" method in order to expand the business domains of service providers. Fourth, controls over fees will be eased to bring them into line with actual business conditions, in order to create an environment of substantive competition and maximize the effects of competition. In addition, the

administrative restrictions on Korea Telecom, which were originally imposed when the company was a public monopoly, will be relaxed. Fifth, restrictions on the utilization of private communications facilities will be eased to permit them to offer limited services with a view to making the best use of the nation's communications resources. Sixth, the functions and organizations of the current regulatory agencies will be reorganized with primary emphasis on augmenting the market functions.

[21 Jun p 21]

[Text] The core of the restructuring plan may be the introduction of full competition into the basic communications service market and an early introduction of portable personal mobile communications services.

As a result of the 1990 structural readjustment of the communications industry, a two-way competition for international telephone service was introduced, while Korea Telecom continued its monopoly on local and long-distance telephone services.

The competition between Korea Telecom and Dacom in international communications services is said to have produced many good results by shifting to a user-friendly market, upgrading service, and overhauling the carriers, although the results fell short of some goals, such as lowering fees.

It seems that some of the unsatisfactory results may be attributed not to insufficient competition, but to the failure to follow up the introduction of competition with deregulation.

Competition is the most direct and effective means for improving the operational efficiency of carriers and upgrading the overall competitiveness of our communications industry. Therefore, it is desirable to introduce competition into long-distance telephone services. Furthermore, judging from the prospects for the UR negotiations on opening basic communications service, it seems inevitable that we will open our basic communications service beginning in 1998 and introduce competition in this field.

In order for competition in long-distance telephone services to produce the desired results, it is necessary to readjust the fees ahead of other measures to prevent excessive profit taking in the long-distance market so that the carriers may be induced to streamline their operations and exert efforts to lower the cost.

In order for the carriers to engage in substantive, not nominal, competition, it is necessary to take such follow-up measures as relaxing the controls over the fees as well as administrative controls, introducing a stricter connection fee accounting system, and strengthening the mechanism that insures fair competition.

Competition in long-distance telephone services should be introduced as soon as possible in order to actively cope with the opening of the market. It is desirable to lift

the restrictions completely so that any prospective carrier that can operate effectively can enter the market. However, a strict standard of qualifications for license applicants and strict conditions for the issuance of permits should be applied to bar an indiscreet entry not based on a reasonable calculation.

In view of growing demand in the private sector for entry into the communications service industry, limiting individual holdings in the long-distance telephone service to no more than 10 percent of total equity is not likely to work as a restraining factor that will make new entries impossible.

Along with competition in long-distance telephone services, it is desirable to expand competition in exclusive-line and international telephone services. Given the progress in the development of technologies for wireless subscriber lines, it is necessary to gradually study ways to introduce competition into local telephone service as well.

With technical renovations in the fusion of wire and radio communications technologies and in satellite data compression technology, a spate of new services is appearing on the market, such as personal portable communications (PCS), portable low-altitude satellite communications (LEO), and video on demand (VOD).

Considering that users' demands are becoming more upgraded and diverse, there will be an enormous market for portable private communications and VOD services in the future. Whether communications providers can provide these services will likely determine their very survivability.

Private portable communications is a subscriber-oriented service that uses the 2 Ghz [gigahertz] band. It uses a smaller terminal gadget than the mobile telephones currently in use, and its price is cheap. However, it cannot provide communications service for users moving at a high speed.

Private portable telephones will become as popular as the present wire telephones in the near future, having a tremendous effect on the equipment manufacturing industries.

Realizing the importance of private portable telephones, Great Britain and Germany are currently in the process of commercializing this service, and the United States and France are scheduled to select carriers this year, and Singapore, Japan, and Australia will soon follow suit.

When the personal portable communications service, which is regarded as a next-generation universal service, is opened to the outside world, most probably there will be a heavy infiltration of foreign carriers, thanks to their superior technologies. Accordingly, there is a great need to develop pertinent local technologies. Thus, the most important goal in working out a policy on portable private telephone services should be the development of local technologies. It is evident that, if there are no clear

goals in a service domain, it will dampen entrepreneurs' willingness to develop new technologies and lower their technological standards.

It follows that the government must select carriers as soon as possible in order to whet the desire for developing technologies and realize the early commercialization of the new service. As far as the number of carriers is concerned, ultimately all qualified enterprises should be allowed to participate within the limits of the available frequencies (four or five entrants are anticipated).

However, considering the large investment burden, the demand on the market, and the need to effectively muster the potential to develop local technologies, it is desirable to limit the number of carriers to one or two in the early stage and subsequently increase the number depending on market demand and the degree of accumulation of domestic technologies.

Even if only one firm is selected in the early stage, it will not be regarded as a monopoly, but as an expansion of competition among the present carriers to add just one more carrier of a similar service in the current mobile telephone service market. Therefore it is unlikely to pose any problem in realizing an early commercialization of private portable telephone service.

The early introduction of portable private communications services as well as full competition in the basic communications market is expected to have these effects

on our communications market: it will internationalize our carriers and make them more efficient; it will step up preparations for opening the market; it will fulfill the upgraded and diverse demands of users; and it will increase opportunities for private entrepreneurs to participate in communications service, and it is expected to be effective in strategically fostering the domestic machinery and tool industry.

It appears that in the future the information substructure will be composed of a more or less comprehensive information network that includes unlimited telephone networks, interactive cable TV networks, low-orbit satellite networks, etc. The comprehensive network will deliver multimedia information (sound, data, and video) all at the same time. There will also be further progress toward a media fusion, where broadcasts and communications are delivered through a single medium.

The response should not be just to develop the technology for a comprehensive information network and media fusion. It will be necessary to prepare an integrated, concrete system of communications and broadcasts in order to actively promote development.

Above and beyond the revisions of the current communications market, there is a need to revise the administrative structure. In the future, support for such revisions will be urgently requested.

### Cambodia

#### Use of Force To Free Hostages Ruled Out

BK1108095194 Hong Kong AFP in English 0824 GMT  
11 Aug 94

[Excerpt] Phnom Penh, August 11 (AFP)—Government troops are concentrating around the Khmer Rouge base in southern Cambodia, but co-premier Prince Norodom Ranariddh on Thursday ruled out the use of force to free three western hostages.

"We will not launch any kind of military operation which could affect the three hostages," the prince told AFP.

"I want to say very clearly that neither the royal armed forces nor the police will take any action to threaten the lives of those hostages."

Some 750 paramilitary police have been despatched to the remote Kompong Trach district of Kampot province, 130 kilometers (80 miles) south of the capital, a police officer said. He added that army reinforcements were also being deployed.

The Khmer Rouge are holding Australian David Wilson, 29, Briton Mark Slater, 28 and Frenchman Jean-Michel Braquet, 26, at a jungle base camp on Phnum Voa mountain.

The three were seized in an ambush on a train in Kampot province on July 26.

Security officials said chief of staff General Ke Kimyan was leading troops encircling the Khmer Rouge base as part of a strategy to boost security in the region.

Government officials said they believed there were some 200 to 300 active Khmer Rouge guerrillas in the area. There have been more acts of sabotage on the railway line since the ambush.

"We are going to improve security in the whole region. But I would like to say again and again that we are not going to attack because we worry about threatening the hostages" Prince Ranariddh said.

Government officials have given details of recently received hand-written message from the British hostage.

Slater requested that families be allowed negotiate with the captors if the government would not pay a ransom.

Khmer Rouge guerrillas have asked for 50,000 dollars in gold for each of the hostages. [passage omitted—Western embassies have issued travel advisories]

#### Commentary Urges People To Desert Khmer Rouge

BK1008151894 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT  
10 Aug 94

[“Political commentary”: “Another Five Months of Thinking for Compatriots Who Are Staying With the Rebels”]

[Text] The law making the Khmer Rouge rebels has been in effect already for over a month. Although the National Assembly passed the law to make the Khmer Rouge rebels, the assembly, like the Royal Government, continues to make concessions with a six-month extension for those who are members of the political organization or the military forces of the Democratic Kampuchea group to return to the fold and work together to build the motherland and develop it like neighboring countries which are moving forward.

The National Assembly, like the Royal Government of Cambodia [RGC], has left the door open for national reconciliation. After the six-month period, the Royal Government, the Khmer Royal Armed Forces [KRAF], and the national police have a sacred duty to provide security for the people. This is the duty to save the nation and ensure security and does not mean that the KRAF love war or are warmongers. Not just the KRAF, but the people and state authority in the provinces and cities also have the duty to save the nation and ensure security for the people. Although the Royal Government is poor during the implementation of this task, it has made efforts to pool our meager national resources to provide the means and possibilities to the armed forces—the army, police, militia, and village and commune guards—to enable them to carry out their duties and obligations.

It should be recalled that recently, before outlawing the Khmer Rouge, the Royal Government lowered itself to continue holding talks with the Khmer Rouge group. The latter, however, continues to adhere to a stance of refusing to do what the people want. To this day the Khmer Rouge group continues to wage war and kill people, plunder, destroy, cut bridges, and attack trains killing or wounding people, and rob. For these reasons, outlawing the Khmer Rouge is appropriate and has received a lot of support from various countries the world over. The main countries that have supported us are the United States, Australia, France, Malaysia, and ASEAN. The United States, Australia, and France are ready to provide military aid to the RGC to eliminate the Khmer Rouge.

Therefore, the remaining five months is a period for compatriots who are still serving the Khmer Rouge rebels for various reasons to awaken and leave the rebels' ranks and return to society and the nation as quickly as possible.

#### Government Statement on Press Freedom Considered

BK1008134194 Phnom Penh CAMBODIA DAILY  
in English 9 Aug 94 p 9

[Commentary by Gretchen Peters: “Cambodian Government Is Wrong To Limit Press Freedom”]

[Text] During a recent interview I asked the director of a public institution here how he felt about the government's recent decision to outlaw the Khmer Rouge. His

response to this and other questions about the government were superficially supportive, but seemed somehow forced.

At the end of our meeting, which had been conducted in Khmer and English through the help of a translator, he leaned over to me and whispered to me in French, "There are many things I would like to say about this country. If I lived elsewhere, I would tell you my opinion, but this is Cambodia."

His fear of expressing his opinion is similar to those I and other journalists here have begun to encounter from officials, NGO [nongovernmental organizations] workers and other public figures. Members of human rights organizations have expressed fears that, if they support the rights of individuals who speak out against the government or support the Khmer Rouge, they too will get into trouble.

Few in Cambodia deny the history of Khmer Rouge atrocities, but where will this clamp down on public opinion end?

In another development, an information announcement of the Royal Government signed August 4, has warned officials about releasing "secret" information to the press. The directive is apparently aimed at stopping leaks, but will likely also make lower level officials wary of speaking to the press. The statement is vague, making it unclear just what kinds of "information" should be deemed sensitive.

Article 41 of the Constitution of the Kingdom of Cambodia promises "freedom of expression, press, publication and assembly," but says the role of the media shall be determined by law."

This refers to Article 139, which stipulates that, until new laws are passed in such areas, the former State of Cambodia laws remain in effect. The SOC press law emphasizes the need to protect "national security."

But Article 139 also says that any provisions in the Constitution "contrary to the spirit of this Constitution" do not apply. Shouldn't this aspect of Article 39 rule out the SOC press law?

Minister of Information Ieng Muli has implied that the press here should support the growth of the new government and not criticize it too heavily.

His point that the Royal Government needs time to grow into its new role is valid, but this should not prevent the media or other public institutions from expressing their opinions when they believe something is wrong. It is only governments that have something to hide that disallow freedom of the press.

#### **Management of Royal Government Defended**

*BK1008121594 Phnom Penh CAMBODIA TIMES  
in English 7-13 Aug 94 pp 24, 23*

[Text] Prince Sirivut, who is also the Minister of Foreign Affairs and International Cooperation, mounted a

robust defence in the face of criticism on the management of the Royal Government since its formation last November.

Prince Sirivut told THE CAMBODIA TIMES, "I thought that people would have understood why I sign many protocol agreements on bilateral and humanitarian co-operation with foreign countries and organisations."

"Most of my signatures are for the next generation of our nation," said Prince Sirivut.

"After being war-torn for more than two decades, our nation has to accept whatever aid and assistance offered to rebuild the country," he added.

Prince Sirivut also urged that the inter-party squabbling within the government be put to an end.

"When we are weak, neighbouring nations flex their muscles at us and challenge us to compete in the sectors of economy and even strength," Sirivut said.

"When we are able to stand on our own, we will be able to talk about our territorial waters problem with Thailand and other border problems with Vietnam," he added.

The war which broke out in the early 1970s has plunged this country into an abyss of destruction which can hardly be saved at the moment since the country almost fell into a checked position as in a chess game.

The Governments of Thailand, Vietnam and Laos have time and again renewed their support and assistance to the reconstruction of this country.

On the contrary, words have not matched deeds as far as territorial waters and land borders are concerned. Foreign intrusions in businesses such as fishing, felling logs, and for residence extension are reported to have taken place and the government could do nothing against these acts.

Prince Sirivut said for the time being settlement of any issue with these countries could only be based on compromise.

The latest signing of protocol of agreement was with Japan for an estimated US\$83 million.

The pledged money will be used to fund projects for the rehabilitation of the port here, the second phase of rehabilitation and upgrading of Electricity Supply Facilities, the second phase of the rehabilitation of National Route 6A, the second phase improvement of clean water supply facilities and for the improvement of the Road Construction Centre, also in its second phase.

The United States has also decided on a grant of US\$ 24 million to help upgrade the nation's economy.

The protocol of agreement was signed between Prince Sirivut and Charles Twining, the United States ambassador here.

The amount of aid pledged to this country is at such a peak that people of this nation are beginning to have a firm hope that national development is within reach.

A government member told THE CAMBODIA TIMES that part of the money would go back to the hands of certain donor countries as a result of having their experts help in the funding of the development site.

"I hope that these experts would not be corrupted and the government would implore donor countries to cut down on draining the money back into the donor's hands," said the member.

### Second Prime Minister Chairs Cabinet Meeting

BK1108073994 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT  
11 Aug 94

[Text] On the morning of 10 August at the office of the Council of Ministers a cabinet plenary session was held to discuss a number of items on the agenda under the chairmanship of Samdech Hun Sen, second prime minister of the Royal Government of Cambodia [RGC].

The plenary session was held to discuss four items: the signing of an agreement on bilateral settlements between Malaysia's Central Bank and the Kingdom of Cambodia; a discussion on avoiding double purchases and on preventing tax fraud between the Malaysian Government and the RGC; the report on the socioeconomic situation in the first half and the target during the second half of 1994; the decision on the investment plan; and a number of additional matters, namely solutions to problems caused by floods.

### \* FUNCINPEC Officials' Dispute in Battambang

94SE0155B Phnom Penh KAOH SANTEPHEAP in Cambodian 13-14 May 94 pp 1,2,4

[Text] The newly promoted FUNCINPEC officials in Battambang Province, in particular the newly assigned party police, are involved in a violent face-off.

Actually, Samdech Krom Preah is not aware of the controversy which is spreading like a cancer in Battambang Province.

However, because of their inability to keep calm, the newly selected police have let off some steam and revealed the truth in order to thwart Mr. Serey Kosal. So Mr. Serey Kosal responded, attacking his colleagues who opposed him with the goal of separating them and making them lose all hope.

General Kong Kea has been accused by the First Deputy Provincial Governor, Serey Kosal, of taking bribes in the matter of selecting police. Mr. Kong Kea denied those

charges and sent a letter to our office in order to answer the charges; we reproduce this letter below:

KAOH SANTEPHEAP has opened its pages for all of you "to fight." ...Go for it! Let Samdech Krom Preah and the people know. [The people involved] have good positions and still [they] quarrel. The biggest controversy is over "bribery" which everyone accuses everyone else of.

We are not arbitrators, but we're just here to help. I, General Kong Kea, send greetings to the respected editor of KAOH SANTEPHEAP and beg to clarify the article of Mr. Serey Kosal, First Deputy Provincial Governor of Battambang Province, which was published in your newspaper in Number 2148, dated 2-3 May 1994, and which touched on my personal honor. Although what Mr. Serey Kosal says in it is just a fabrication, the import of his article can cause public opinion in Battambang Province as well as all the readers of the newspaper to become confused and make an incorrect assessment of the real situation.

On my behalf as a citizen, I request permission from the editor to make a statement in your newspaper to clarify the situation for the readers as well as for the officials of the Royal Government and the people of Battambang Province so that they will understand the truth which is completely different from the false accusations that distort my past record.

Truly I am an active member of the FUNCINPEC Party who has participated in the secret and the open political struggle in the past. Because of the struggle and through my own past experience I received the trust of the party which bestowed the great honor of naming me as chief designate of the Battambang provincial police. In carrying out my responsibilities, I had some differences of opinion with Mr. Serey Kosal, but beginning with the problem of violating the working rights and the important point that I am completely opposed to the bad actions of a number of gentlemen that affect the strengthening of the party's prestige which is contrary to their favoritism and nepotism. In short, I am completely opposed to the old ways to destroy the seniority of the veterans. A clear example, he tried hard to drag in an inferior coalition consisting of a number of businessmen "for private gain" and place them as candidate party police officials; he dared to distort the truth and lied to higher authorities. They were all cronies of his from the past, but really the public, throughout the province, especially in the provincial capitol, is aware of the records of each one of those people. Everyone laughs at the shell game of Mr. Serey Kosal and loses confidence in the party.

Starting from this point which I personally, as well as others of you who are real veterans, do not support or agree with the act of selling favors by Mr. Serey Kosal at all. We are afraid that it is one of the main reasons causing us to become target of Mr. Serey Kosal's fabricated tales that most unjustly blame us and push us far away from him.

I would like to make it perfectly clear that in spite of my personal and continuing opposition to Mr. Serey Kosal, I really can maintain a clear position to discuss opinions with higher authorities who are responsible for seeking a just and honest solution. I have never tried to win against him in a public forum. As for the newspaper article of 27-28 April 1994 which was extracted from Mr. Serey Kosal's fabrications, that I will leave up to the people who know about his activities. They suspect him and accuse him, and he himself knows this. I would like to make it clear again that I have never used the pages of a newspaper as a forum for a solution and I still believe that all of you, higher ranking officials, can truly see that justice is done to me, find out about the dead wood in the ranks of the party and give me hope that the party of the people will rise again. As for my reply to the editor, it is only to protect myself as a citizen over a difference of opinion in order to solve my own personal problems with Mr. Serey Kosal. I cannot say more. And I would like to send the message to Mr. Serey Kosal that I do not want to have my name involved with his in the pages of a newspaper because it will make everyone laugh. People know the real story about him and especially the people in his province and he cannot exaggerate or lie at all.

Taking his opportunity, I, personally, as well as other veterans would like to request that the party create a justice committee in order to conduct an urgent investigation to find out the real story and in order to renew the prestige of the party to make it clear that whenever anyone creates problems for the party, I and the other veterans will gladly wait for them to be solved.

Finally, I wish the editor and all the personnel of the newspaper KAOH SANTEPHEAP continued prosperity.

With my greatest respect. Comments from the Editorial Office:

Mr. Kong Kea is the police general designated to be chief of the provincial police who hopes 100 percent that...

Mr. Serey Kosal is the deputy provincial governor and provincial party leader maybe he will appoint a bar owner [as police chief]. All of you veterans in Battambang Province can reply in Kaoh Santepheap any time; we will keep a page for you to "quarrel" in order to see who wins and who loses... 2 May 1995  
General Kong Kea

#### \* Commentary: Murders Show Division of Party

94SE0155A Phnom Penh KAOH SANTEPHEAP  
in Cambodian 16-17 May 94 p 1

#### [Text] Signs of Disaster

In spite of the fact that Samdech Krom Preah and Samdech Hun Sen act as a single person, among many bureaucrats of both of the major parties there is still no sign of an agreement.

One sees that there are incompatible ideas in the national assembly, among a majority of the provincial governors and city mayors, among the members of the armed forces, etc.

A murder in Kampot Province has been declared a political crime by the human rights organization LICADO.

The murder of four lieutenant colonels in Kompong Speu has actually not been officially declared a political crime, but a high level official of the FUNCINPEC Party in Kompong Speu told a reporter for this paper that it was a political crime.

There has only been a superficial investigation of suspected perpetrators of these murders, and all these acts, which are on the increase, are causing disagreements and more and more polarization.

If internal divisions like these arise, will we have the strength to stop the Khmer Rouge?

There is still a hope until all hope dies.

#### Indonesia

#### Alatas Hails Japanese Desire To Assist

BK1008152994 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 10 Aug 94

[Text] Foreign Minister Ali Alatas has welcomed Japan's desire to help settle the East Timor issue at international fora.

Speaking when receiving five Japanese parliamentarians in Jakarta today, Alatas stated that the Indonesian Government would give all material on the East Timor issue to these parliamentarians, who were making their first visit to Indonesia. They will visit East Timor for three days, beginning tomorrow. Alatas hoped that the visit would change their current negative perception about East Timor, particularly regarding the incorporation of the territory into Indonesia.

#### Editorial Hails New Chinese Language Policy

BK1008120794 Jakarta THE JAKARTA POST in English 4 Aug 94 p 4

[Editorial: "A Wise Decision"]

[Text] The government's decision to slightly ease a 28-year-old restriction on the use of Chinese characters in public and the teaching of the Chinese language is actually an admission of the fact that the world has changed and that old rules and patterns must give way to new concepts and ideas.

That pragmatism was behind the decision is obvious. The decision to allow hotels and recreation centers to publish brochures and programs in Chinese for the benefit of their Chinese patrons is aimed at drawing more Chinese speaking tourists to this country. In other

words, one cannot help but surmise that money is the real reason behind the decision.

Still, as the old saying goes, suspicion dies hard. That is why the decision stipulates that the tourist industry brochures must first pass the government's scrutiny and that they have to be printed at a specified state-authorized printing firm.

Nevertheless, one can expect that the decision will constitute another step towards a more realistic China policy in the future. For almost three decades following the abortive communist coup of 1965, in which communist China was allegedly involved, we have been conditioned by the security agencies to be constantly on the alert against the so-called "Chinese peril".

It was for that reason that the government banned all Chinese literature and all kinds of expressions of Chinese culture in 1966. That was also the reason why the government advised all ethnic Chinese who are Indonesian citizens to change their names and to adopt Indonesian ones. On the one hand, the policy was apparently an effort to contain China's influence over the ethnic Chinese which make up about three percent of the population in this country. On the other hand the government hoped that it would speed up the so-called "Indonesianization" process, which would make the ethnic Chinese an integral part of the nation.

Although Indonesia re-established active diplomatic relations with China in 1990, the government's domestic policy regarding the Chinese remained unchanged. And in a way, the policy seems to have been relatively successful. Nowadays, except perhaps in a few pockets such as in North Sumatra, we can find more and more ethnic Chinese, particularly among the younger generation, who speak only Indonesian, have only one Indonesian name and feel that they are true Indonesians.

Yet, one has to admit that quite a number of indigenous Indonesians still harbor ill feelings toward ethnic Chinese, although some experts have argued that this is not a real racial sentiment but more likely an expression of group envy.

Whatever the case, the world has changed. Everywhere, ethnic Chinese have emerged as one of the most successful population groups in the world. China is now viewed as a newly awakened "capitalist" giant with an enormous potential, from which all countries are eager to benefit. Taiwan, Hong Kong and Singapore have proven themselves to be the strongest among the Asian "dragons" as well as highly potential investors. Taiwan has even pledged to surpass Hong Kong as the second largest foreign investor in Indonesia by next year.

Apparently, Indonesia does not want to be left behind in the race to get a slice off the delectable pie. And thus, the decision to ease the restrictions was taken.

We think it is the right decision, although perhaps it has come rather late. In this era of globalization we have to

know more about our future partners (and rivals, too) than ever before. And since we have to deal more with countries which have a dominant ethnic Chinese community, we need to have more Sinologists and China experts. Studies on Chinese literature and culture—including their ways and strategies of doing business—must be supported and encouraged.

To continue to suspect that a subversive mind is lurking behind all those Chinese characters is, in our view, just stretching it too far.

### **Commander Says Melacca Straits Free of Piracy**

*BK1008124494 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 10 Aug 94*

[Excerpt] Rear Admiral Arief Kusharyadi, commander of the Western Fleet, says the Melacca Straits has been free from piracy since maritime security operations began some time ago. The waters near Singapore are now safe for international navigation.

The Western Fleet commander said this after he commissioned a fiberglass trawler jointly produced by the Second Navy Base and Bina Mina Karya Perkasa Co. Ltd. at Pondok Dayung, Tanjung Priuk, Jakarta, yesterday. He said illegal fishing continues to be a threat within the jurisdiction of the Western Fleet. Several illegal trawlers operating along the western and eastern coasts of Sumatera have been arrested and the crews put on trial in Belawan and Tanjung Pinang. [passage omitted on trawler specifications]

### **Comments on Foreign Access to East Timor**

*BK1008135394 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 10 Aug 94*

[Text] The Indonesian Government has never banned foreigners from visiting East Timor since it decided to integrate into the Republic of Indonesia 18 years ago. As East Timor is now an inseparable part of the Republic of Indonesia, all foreigners who want to visit the province must comply with existing legal procedure.

Infantry Colonel Johny Lumintang, commander of the 164 Wiradarma Military Resort Command, said this in conjunction with the planned visit to East Timor by Japanese, German, and U.S. delegations this week. Commenting on the security measures for the foreign visitors, Lumintang gave his assurance that the security authorities are ready to provide their services. The visitors will be invited to see the province as much as they like. The commander, stressed, however, that foreign visitors should not adopt a negative attitude when they see problems arising in the province.

### **Minister Comments on ICPD Issues**

*BK1108051594 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 10 Aug 94*

[Text] Indonesia will not include abortion as a family planning method. Haryono Suyono, minister of state for

population and head of the National Family Planning Board, told nongovernmental organizations and mass organizations in Jakarta that the government anticipates illegal abortion committed by some citizens. Thus, the minister asked for suggestions to enable the government to comprehensively formulate government policy and action on the matter. Haryono Suyono stressed that illegal abortion should be treated as a health problem that needs special handling.

### Thailand

#### **Detention of Thais, Others in Cambodia Viewed**

*BK1008135294 Bangkok Radio Thailand Network in Thai 1200 GMT 10 Aug 94*

[Text] Foreign Minister Squadron Leader Prasong Sun-siri spoke with journalists today about a report that the Cambodian Government has asked Thailand to maintain a neutral stand in coordinating with the Khmer Rouge on the latter's detention of three foreigners. It was also reported that the Cambodian Government would release the 14 detained Thais if the Thai Government negotiated a release of the aforementioned foreigners. Prasong said the Foreign Ministry has not been approached by the Cambodian Government on this matter. In any event, Thailand will not involve itself with the Khmer Rouge or Cambodia's internal affairs.

The foreign minister said he hopes to hear new developments tomorrow in the effort to assist the 14 Thais detained by the Cambodian Government. This is because to date, the Foreign Ministry has coordinated closely with the Cambodian Government on this issue. He is confident that the detained Thais were not involved in any way in the coup attempt.

Meanwhile, Army Commander General Wimon Wong-wanit spoke with newsmen after a religious function today. He said the issue of Thais being detained in Cambodia is in the hands of the Foreign Ministry. He said the Cambodian border situation has improved considerably due to fine cooperation between the supervisors of the relevant units of the two countries. The relations between the two countries are currently very good.

Regarding posting of a Thai military attache in Cambodia, the army commander said the matter is being worked on. However, the matter will have to be delayed if the situation in Cambodia does not improve.

#### **Mediation for Hostages Ruled Out**

*BK1108053894 Bangkok BANGKOK POST in English 11 Aug 94 p 6*

[Text] The Foreign Ministry yesterday rejected suggestions it could mediate for the release of three Western hostages believed held by Khmer Rouge guerrillas in southern Cambodia.

"If the Phnom Penh government makes the request, the Foreign Ministry will not contact the Khmer Rouge," ministry spokesman Suwit Simasakun said yesterday.

"The Thai government is not in a position to conduct any negotiations with the Khmer Rouge and the Phnom Penh government knows this well."

Suwit was commenting on a United Press International report which quoted unidentified diplomats in Phnom Penh as saying that Thailand might be asked to help secure the release of an Australian Briton and Frenchman held following a Khmer Rouge ambush on a train on July 26.

"In exchange, Phnom Penh would consider releasing some of the 14 Thai nationals accused of involvement in last month's failed coup," UPI reported, also quoting unidentified diplomats in Phnom Penh.

"It is nothing to do with us," Thai Ambassador to Cambodia Sakthip Krairoek said when contacted by the BANGKOK POST yesterday.

"We have no connection with the captors, and the hostages are being held nowhere near the Thai-Cambodian border."

An Asian diplomatic source based in Phnom Penh said: "People here believe it (the capture of hostages) was a joint venture, involving the guerrillas and long-incumbent local armed groups."

In Bangkok, Foreign Minister Prasong Sunsiri said he did not receive any request from Cambodia and questioned why certain sources informed the media rather than making direct contact through the appropriate diplomatic channels.

Sqn Ldr [Squadron Leader] Prasong reiterated Thailand's policy to assist Cambodia only on a humanitarian basis and not to get involved with the Khmer Rouge.

"Does Thailand have anything to do with the Khmer Rouge? They (Cambodia) had told us not to get involved with the Khmer Rouge so we don't. This matter is their internal affair," he said.

The Foreign Minister said there will be good news in "the next day or two" about the 14 Thais held for more than a month in Phnom Penh.

He said he still believed they were innocent.

"They went to Cambodia as workers and are not involved in the coup," the minister said.

Permanent Secretary for Foreign Affairs Pracha Khunakasem, accompanied by an official, left for Phnom Penh yesterday to discuss the case.

They were scheduled to meet Cambodian co-prime ministers Prince Norodom Ranariddh and Hun Sen for discussions on the plight of the 14 Thais.

Mr Pracha and the senior official returned to Bangkok last evening.

Meanwhile, Cambodian Ambassador to Bangkok Roland Eng paid courtesy calls on Deputy Prime Minister Bunchu Rotchanasathian and Parliament President Marut Bunnak yesterday.

The ambassador reassured both men of a speedy investigation of the 14 Thai nationals and explained the case would take time because there is much information.

He also said the Thais will be treated with justice.

Mr Marut said after the meeting it was international practice to allow 90 days detention without charges being laid. In Thailand, the maximum is 84 days.

#### Ministry Moves To Prevent Land Row With Burma

*BK1108044594 Bangkok BANGKOK POST in English 11 Aug 94 p 2*

[Text] Tak—The Foreign Ministry is making moves to prevent potential conflict with Burma over 1,000 rai of land on the bank of the Moei River in Mae Sot, following a change of water course caused by extensive flooding last week.

Department of Treaties and Legal Affairs Director-General Thana Duangrat said the Foreign Ministry has already forwarded the matter to the Cabinet for acknowledgement.

Mr Thana said according to the Thai-Burmese border agreement signed in 1868, the land cannot be declared Burmese territory because the original Moei River line used as an official border dividing Thailand and Burma is still visible.

He said fast water currents caused by floods during the past few weeks has forced the main stream of the Moei River to change its course, creating an island out of 1,125 rai of agricultural land and certain parts of forest which it cuts through.

#### Refugees Arrested Trying To Flee to Bangkok

*BK1108085794 Bangkok SIAM POST in Thai 11 Aug 94 p 8*

[Text] Sakon Nakhon—At 0600 on 10 August officials manning the Highway Police checkpoint in Ban Sangkho on the Sakon Nakhon-Kalasin highway inspected a van carrying the license plate Bangkok 5 Cho-3971 and found two families of 16 Lao refugees—four men, four women and six children [figures as published]. Also found in the van were construction materials, 30,000 baht in cash, and 12 bars of silver valued at 90,000 baht. Song Saengkho and Faikhu Saehao, the Hmong heads of the Lao refugee families, said they originally came from Vangvieng, Vientiane Province and fled to Na Pho refugee camp about 10 years ago.

The Thai Government has closed several refugee camps and repatriated camp occupants to Laos. The Na Pho camp will be closed soon. Song and Faikhu did not want to return to Laos so tried to flee to Bangkok.

They hired Suriya Bunloet of Nong Plapak, Si Thiang Mai District, Nong Khai Province to transport their families to Bangkok at 500 baht per head. The arrested refugees are now detained at Phu Phan subdistrict police station for investigation.

#### Government Allows 'Temporary Refuge' for Mons

*BK1108055894 Bangkok THE NATION in English 11 Aug 94 p 19*

[Text] Thailand will not use force to expel thousands of ethnic Mon refugees who have fled across the border from Burma Foreign Minister Prasong Sunsiri said yesterday.

People fleeing the fighting in Burma would be allowed temporary refuge, but must return home once the situation there calms down, he said.

However, the Foreign Ministry's responsibilities relate only to the reasons why the refugees entered Thailand. Once on Thai soil, they are the responsibility of the National Security Council and the Interior Ministry.

Border sources said local Thai authorities in Sangkha Buri yesterday imposed ban on travel in and out of a temporary refuge site populated by thousands of Mon refugees, who last month fled the sprawling camp over the border at Halockhani after it was attacked by Burmese troops.

The ban affected the flow of humanitarian aid, including medicine. Many of the fugitives are suffering from disease and the effects of torrential monsoon rains, the sources said.

Mon sources told THE NATION last week that they had been informed by both the Army and provincial authorities of an August 10 deadline for the refugees to return home.

The sources said Thai authorities had made various threats to the effect that the refugees would be forced back across the border once the deadline passed.

However, officials from several government offices said they were unaware of the deadline.

The same refugees were forcibly repatriated early this year from Loh Loe camp, in Thailand, to the Halockhani camp. At the time, a Mon refugee relief committee unsuccessfully resisted the move, saying the new camp was "very close" to a Burmese outpost at Three Pagodas Pass, which posed a possible danger.

Mon sources said the July 21 attack on Halockhani's village outskirts, Palai Thumpai, by the Burmese Army's

62nd Light Infantry Battalion was a "good example" that there was no security for Mon refugees inside Burma.

The attack was believed to be a reprisal against villagers who killed a Burmese soldier, who sneaked into the village early last month, and stole his weapons.

Other sources said several Western embassies have urged the Interior Ministry to be lenient and allowing the Mons to stay in Thailand. The Office of the UN High Commissioner for Refugees in Bangkok sent a letter to the National Security Council stating the same opinion after a fact-finding mission to the border area early this month.

Thai officials have repeatedly stated that "the refugees will be allowed to stay in Thailand until it is safe to go home". Foreign diplomats, though, have argued that they should be repatriated "only when they (the refugees) think it is safe to return".

### **Hong Kong, Taiwan Investors Express Interest**

*BK1108081294 Bangkok Radio Thailand Network in English 0000 GMT 11 Aug 94*

[Text] About 200 investors in Hong Kong and Taiwan are interested to invest in Thailand. According to the deputy secretary general of the Board of Investment, Phongsak Angsuphan, Hong Kong investors are interested in electronics, electrical equipment, power plants, food, and light industries while Taiwanese investors are interested in pre-fabricated houses, cement, car parts, chemicals, and packaging industry.

The Board of Investment [BOI] recently organized seminar in Hong Kong and Taiwan to inform and persuade investors to invest in Thailand. The seminar on the topic "Thailand: New Horizon for Investment" emphasizes supporting industries in accordance with BOI guidelines on 10 supporting industries. Mr Phongsak says the seminar provides a unique opportunity for investors to relocate their industries in Thailand.

### **Juridical Council: Government Needs To Amend Act**

*BK1108070494 Bangkok BANGKOK POST in English 11 Aug 94 p 16*

[Text] The Juridical Council says the Government needs to amend the existing Insurance Act or issue a new law to endorse the change in status of Universal or Phaisan Insurance Co, says secretary general Watthana Rat-tanawichit.

The insurer's request to open 11 branches or to upgrade 11 representative offices to branches to comply with the 1992 General Insurance Law has caused a dispute over interpretation of the law among government agencies.

The council agreed that under Thai law, 99.84

foreign-owned Universal could not be a Thai company which would bar the insurer from opening branches.

Mr Watthana suggested the Government amend the 1992 General Insurance Act or enact new law to support the Thai-U.S. Treaty of Amity in Universal's case.

He said that although the treaty extends Thai-national status to U.S. firms operating here, the treaty must be endorsed by a law. In principle, if the provisions of a treaty run counter to local laws, the laws take precedence, Mr Watthana told reporters after a Cabinet meeting.

The Cabinet yesterday postponed a ruling on the status of Universal due to the absence of Commerce Minister Uthai Phimchaichon, who is responsible for the Insurance Act.

Universal is under the umbrella of the American International Group which operates three life- and nonlife insurance companies in Thailand: American International Assurance Co [AIA], New Hampshire Insurance Co, and Universal.

AIA is a leading life-insurance company in Thailand with 1993 first-year premiums of 17.3 billion baht, representing more than 50% of the total market.

New Hampshire reported 1,007.7 million baht in total premiums last year, ranking it ninth in the 33.2-billion baht non-life insurance market.

The small amount of premiums generated by Universal Insurance—56.6 million baht in 1993—apparently cause less anxiety among government officials about allowing it to expand.

Both Deputy Prime Minister Suphachai Phanitchapak, chairman of the International Economic Policy Committee, and Mr Uthai, have been responsive to the proposal following lobbying by U.S. Ambassador David Lambertson.

Mr Uthai has said he was not worried about Universal setting up branches due to its small market share, and he said the company had potential to transfer technology and marketing ideas to Thailand.

### **Vietnam**

#### **New Japanese Envoy on Bilateral Relations**

*BK1008141494 Hanoi Voice of Vietnam in English 1000 GMT 10 Aug 94*

[Text] The Japanese ambassador to Vietnam, Mr. Kazuo Ogura, last week presented a letter of credentials to Vice President Nguyen Thi Binh. The presentation occurred when the Vietnam prime minister announced the first official visit to Vietnam by the Japanese Prime Minister Murayama. It marks a new step in the relations between Vietnam and Japan. Following are excerpts from an

interview with the new Japanese ambassador granted to Radio Voice of Vietnam and VIETNAM NEWS AGENCY on relations between the two countries. Ambassador Kazuo Ogura said:

[Begin Ogura recording in Japanese fading into English translation] The relations between Japan and Vietnam has been developing in both scope and scale. The exchange of delegations in politics, tourism, economy, and culture has been on the rise. Vietnam and Japan should strengthen the mutual sympathy and mutual understanding, and should respect each other. For this reason, immediately after taking this assignment in Vietnam, I took part in a Japanese tea ceremony in Vietnam. It is an elaborate cultural activity of Japanese people, and at the same time a culture exchange between the two nations of Vietnam and Japan. For the Japanese, a cup of tea leads to harmony, fraternity, and peace. Working in Vietnam, I wish to be a bridge between the two peoples of Japan and Vietnam. [end recording]

Talking to VIETNAM NEWS AGENCY correspondent, Ambassador Kazuo Ogura said: To promote the bilateral relations, I find that it is important to increase exchange of visits by delegations of both sides, not only for officials, but also ordinary citizens such as businessmen and cultural workers. I think it would be better if Vietnam actively participate in ASEAN, APEC, GATT, and other international organizations because Vietnam and Japan share a number of things in common. The most common aim is not to allow any country to dominate the Asia Pacific region and not to impose one's order on each other.

Relations between Vietnam and Japan must be based on principles of equality, cooperation, for mutual interest and respect for each other's independence and peace. The ambassador said: Economic relations must be a model to international cooperation within the two countries based on different political system and different level of economic development.

#### Communications Agreement Signed With Laos

BK1008142494 Hanoi Voice of Vietnam in English  
1000 GMT 10 Aug 94

[Text] A memo has been signed by Vietnam and Laos aimed at speeding up the implementation of an economic, cultural, technical, and scientific agreement for 1994 between the two countries.

Signatories to the minutes were representatives of the Vietnamese Ministry of Transport and Communications, and the Lao Ministry of Transport and Communications and Post Office. Vietnam and Laos also agreed to further cooperate in transport and communications including large scale restoration and upgrading the national road linking the two countries.

#### Foreign Minister on ASEAN Membership

BK1008125094 Singapore BUSINESS TIMES in English 10 Aug 94 p 10

[Interview with SRV Foreign Minister Nguyen Manh Cam by BUSINESS TIMES Regional Analysis Editor Yang Razali Kassim at the recent ASEAN Regional Forum in Bangkok; date not given]

[Text] BT [BUSINESS TIMES]: So much has been said about Vietnam's impending membership in ASEAN. But there is still uncertainty on when exactly Vietnam will join ASEAN. When will Vietnam officially be a member?

A [Answer]: The ASEAN countries have just reaffirmed their desire to see Vietnam become a full member of ASEAN. Vietnam has stated its position. We want to join ASEAN, we are ready to join as soon as possible. To that end, the ASEAN countries have decided to set up a joint committee comprising senior officials from ASEAN countries, from the ASEAN Secretariat, and from Vietnam to work together to accelerate the preparation for Vietnam's early entry.

In our discussion with ASEAN officials, both sides have agreed to work closely together to accelerate the preparation so that Vietnam can join ASEAN next year. The exact date will be determined by the joint committee.

In private talks with my ASEAN colleagues and also in the consultative meetings that I had with the ASEAN representative, Singapore's foreign minister, Jayakumar, we all agreed that we will speed up preparations for Vietnam to join ASEAN as soon as possible. Some ASEAN countries have made public announcements, while others have not. But they all share one desire—they want Vietnam to join ASEAN before the next ASEAN summit, which is in the second week or the second half of December next year. In other words, the exact date has not been decided yet, but the time frame is as such.

Q [Question]: So Vietnam will join ASEAN by the next summit and possibly before that?

A: My understanding of my ASEAN colleagues' positions is that Vietnam's membership can be decided before the summit. It does not necessarily have to be decided by the summit itself. That is, the admission of a new member into ASEAN does not necessarily have to be decided at the summit.

Q: So when will Vietnam take that very important first step of submitting its application to be a member, which some ASEAN states see as a prerequisite?

A: Lodging the application is just a matter of procedure. No doubt, the application has to precede the formal announcement of Vietnam's admission as an official full member of ASEAN. And of course we will act on the recommendation of the joint committee. But it's only a matter of formality, of procedure.

**Q: I have to ask this again because it's very important. From the statement of some ASEAN ministers, it appears that Vietnam has to make that formal application first.**

**A: Yes, but as I said, it will be based on the advice of the joint committee. So it will reflect the common agreement on the date when the application should be lodged.**

**Q: When will the joint committee meet for the first time?**

**A: We hope very soon after the AMM (the just-concluded 27th ASEAN ministerial meeting in Bangkok) because we raised this matter and we agreed as such during our consultative meeting.**

**Q: The problem that has been raised is that Vietnam is not ready to attend ASEAN's several meetings. Is this the only problem?**

**A: Well, it's one of the problems. But of course, we will do our best to attend as many meetings as possible.**

**Q: If Vietnam cannot attend the meetings, would you allow the other ASEAN countries to reach consensus on any matter in Hanoi's absence?**

**A: That will be a subject of deliberation by the joint committee so that we can reach an understanding acceptable to both Vietnam and ASEAN.**

**Q: Now, is Vietnam ready to adhere to the principles of the ASEAN Free Trade Area (AFTA) and to AFTA agreements?**

**A: I would say that once we are a member of ASEAN, we would also like to be a member of AFTA. How soon that will be after Vietnam's entry into ASEAN will depend very much on our own efforts. We are committed to do our best to prepare for AFTA. But whether it will be an immediate entry into AFTA or at a later stage will be subject to the mutual agreement of the two sides. But we are studying carefully the objectives and the schemes under AFTA.**

**Q: So, you are confident that the Vietnamese economy can play by the rules of AFTA which the ASEAN economies are doing right now?**

**A: Of course, we will do our best to accelerate our economic reforms to prepare for entry into AFTA. It is to our own interest to make our economy fall in line with the general trend of growth in the region.**

**Q: How will Vietnam's entry into ASEAN help resolve the problem of the Spratly islands over which Vietnam is a coclaimant with China, Taiwan, and three ASEAN states?**

**A: The first ARF meeting in Bangkok was an opportunity to discuss the general security situation. From our point of view, the dispute over the South China Sea islands must be settled in line with the principles as enshrined in the Manila Declaration of 1992 by the ASEAN countries.**

You may have noticed that at the Bangkok AMM, the ASEAN foreign ministers once again reaffirmed their commitment to the Manila Declaration. I believe that if all countries concerned respect and honour these principles and implement them effectively, the situation can be settled smoothly. Of course, in this regard, I must emphasise that all countries must respect the territorial integrity and sovereignty of each country, including that over the sea. This includes the territorial waters, the continental shelf, and the EEZ (exclusive economic zone) as stipulated in international law, especially the United Nations Convention on the Law of the Sea of 1982.

**Q: China has said that it does not want discussions about the South China Sea to be tackled at the ARF but through bilateral meetings. What are your views on that?**

**A: From our point of view, it is reasonable and proper to settle the dispute among all parties concerned. In other words, if it is a bilateral dispute, the two parties concerned will have to settle among themselves bilaterally. If it involves more than two parties, all those parties concerned will have to jointly settle the dispute. All the solutions and measures would have to be agreed upon among the parties concerned.**

**Q: Have you met the Chinese foreign minister, your counterpart, to discuss the South China Sea dispute?**

**A: When we met, we just talked in a very general way that the dispute must be settled and we agreed that the dispute must be settled by peaceful means. Both sides are asked to exercise self-restraint, not to use force, or threaten to use force. We devoted much time on promoting friendship and cooperation in many fields between the two sides. Because promoting friendship and cooperation between our two countries serve the interests of our two peoples and that of the whole region.**

**Q: But there is still a clash in the South China Sea over oil exploration, over allocation of contracts to American companies. Have they not complicated the problem?**

**A: We have made our position clear that that area falls exactly within our continental shelf and the EEZ of Vietnam. The name of the area is Tu Chinh and that is located 84 nautical miles from our base line.**

**Q: And when will be the next bilateral meeting between China and Vietnam?**

**A: We have had bilateral talks on settling issues of land and of maritime boundaries in the Gulf of Tonkin. In August, there will be another round of talks at governmental level, at the level of deputy foreign minister.**

**Q: Would you support or would you call for meeting of all the claimant parties to discuss the South China Sea dispute multilaterally? In other words, to include the Philippines, Brunei, Malaysia.**

**A: It will be good if all the claimants can sit down together and exchange views so as to understand each side's position and to find appropriate measures to settle this dispute peacefully.**

**Q: What if China does not agree?**

**A: I am not very sure about China's position.**

### **Nguyen Manh Cam Discusses ASEAN Membership**

*BK1008130994 Hanoi NHAN DAN in Vietnamese  
29 Jul 94 pp 1, 4*

[Interview with Foreign Minister Nguyen Manh Cam by an unidentified correspondent in Hanoi; date not given: "Foreign Minister Nguyen Manh Cam Answers Questions in an Interview With a NHAN DAN Correspondent"]

[Text] [NHAN DAN] Mr. Minister, can you tell us about any new developments arising from the recent 27th ASEAN foreign ministers conference?

[Nguyen Manh Cam] The foreign ministers conference is an annual conference held by ASEAN. There were new developments at the 27th ASEAN conference. For the first time since ASEAN's establishment, foreign ministers from all 10 Southeast Asian countries—including Myanmar [Burma]—attended the conference. Moreover, the first ASEAN Regional Forum (ARF) on security was held at the end of the 27th ASEAN conference. This shows that the trend of broader cooperation among countries in the region is expanding and developing.

While exchanging views on orientations for cooperation between ASEAN member countries and other nations in the region, especially in the economic domain, the conference also discussed the issue of Vietnam fully joining ASEAN as one of its main topics. This has attracted keen public interest. It is noteworthy that for the first time the six ASEAN members reached a consensus and issued a joint statement on their readiness to accept Vietnam as an official ASEAN member. This consensus was clearly stated in point three of the conference's final communiqué. The conference also decided to set up a joint working group—comprising high-ranking officials from the ASEAN countries and the ASEAN Secretariat, which is headed by the ASEAN secretary general—to coordinate urgently and exchange views with Vietnam and make positive preparations for it to officially join ASEAN soon. As a result, the ASEAN foreign ministers conference was an important moment that will accelerate the process of Vietnam joining ASEAN as a full member.

[NHAN DAN] Mr. Minister, could you elaborate on our objectives in joining ASEAN?

[Nguyen Manh Cam] ASEAN is a firm, strong, and active regional organization. Its activities are carried out under the motto: "United in diverse forms." It promotes cooperation for the sake of mutual interests on the basis of respecting each member country's national independence, sovereignty, and characteristics. In recent years, ASEAN has made particular progress in enhancing its

political and economic strength, thereby firmly maintaining its significant role, mustering its clout in the Asia-Pacific region and the international arena, and attracting effective cooperation from big countries and major politico-economic centers in the world. ASEAN's growth and development have helped accelerate development in each member country as well as the region in general.

In July 1992, Vietnam and Laos officially acceded to the Treaty of Amity and Cooperation of Southeast Asia, or the Bali Treaty, and thus became ASEAN observers. Since then, Vietnam's relations with ASEAN and with each of its members, generally speaking, have developed at an unprecedented rapid pace. Over the past two years or more, we have signed nearly 40 agreements with the ASEAN countries on cooperation in various domains. Vietnam's trade relations with these countries are expanding, while their investments in Vietnam are on the rise. About 60 percent of Vietnam's exports go to the ASEAN countries. Vietnam has been invited to participate in six committees and five specialized projects. With the aim of enhancing cooperation and in response to many statements by ASEAN leaders hoping that Vietnam can quickly become a full member of this organization, our party and state leaders have recently declared: "With the support and cooperation of the ASEAN countries, Vietnam is actively making concrete preparations to officially join ASEAN soon." During the ASEAN conference, in addition to participating in general activities, our delegation held meetings with the foreign ministers of each ASEAN country and the ASEAN secretary general to exchange views on strengthening Vietnam-ASEAN relations. In particular, a six-plus-one meeting was held between representatives of the six ASEAN countries and the ASEAN Secretariat on the one side and Vietnam on the other under the chairmanship of the Singapore foreign minister. During the meeting, orientations for strengthening cooperation were discussed and concrete views were exchanged on preparations for Vietnam to join ASEAN soon.

Vietnam's purpose in joining ASEAN is to expand cooperation and create favorable conditions for us to build and develop our country while contributing to accelerating regional development. In joining ASEAN and closely cooperating with this organization, we will continue to consolidate our national independence and sovereignty, maintain our national security, and uphold and develop our national characteristics. Joining ASEAN will not affect our relations with other countries and will not affect the interests of any third country whatsoever. This stems from our policy of diversifying our diplomatic relations and conforms with the trend of promoting regional cooperation and alliances. This trend that is vigorously developing in all parts of the world, especially the Southeast Asian region.

[NHAN DAN] What is the next step Vietnam must take to become an official member of ASEAN at an early date?

[Nguyen Manh Cam] There are many tasks that must be carried out to complete the preparation process. We must continue to study in depth and familiarize ourselves with ASEAN's general structure as well as its rules, regulations, and work mechanisms. It is very important that we train a large contingent of cadres from various echelons and sectors, ensuring that they are competent and have a good knowledge of English so they can participate in various ASEAN committees, carry out projects, and attend the hundreds of conferences ASEAN holds every year. The ASEAN Secretariat and ASEAN member countries have pledged to provide us with positive assistance to resolve these problems. As a result, the remaining issues are merely technical problems.

[NHAN DAN] Mr. Minister, can you say precisely when Vietnam will officially join ASEAN?

[Nguyen Manh Cam] There is a general understanding that Vietnam will become a full ASEAN member next year, but the exact timing depends on the result of our preparations.

[NHAN DAN] Mr. Minister, could you please appraise the results of the ARF?

[Nguyen Manh Cam] The ARF was organized immediately after the ASEAN foreign ministers conference with the participation of foreign ministers from 18 countries; namely, the six ASEAN members, the three observers (Vietnam, Laos, and Papua New Guinea), the seven dialogue partners (the U.S., the European Union, Japan, Canada, Australia, New Zealand, and the Republic of Korea), and the two consultative countries (Russia and China). The objectives of the forum and the large number of participants show the profound concern of countries inside and outside the region—especially the big countries—regarding the issue of peace, security, and stability in this region. This also indicates that security is closely associated with development, and that each country's security and development is closely related to that of the region as a whole.

The forum made a unanimous appraisal of the regional situation. Most of the participants held that following the end of the Cold War the regional situation is relatively stable and its economic growth rate is high. There are hidden factors, however, that could create unrest, including the situation on the Korean peninsula, the Cambodian issue, and conflicts in the Eastern Sea [South China Sea]. The forum proved to be an open and frank discussion in which views were exchanged in a straightforward manner, without any prepared speeches. While agreeing to take the UN Charter, the Southeast Asian Treaty of Amity and Cooperation (the Bali Treaty), and the ASEAN declaration on resolving disputes in the Eastern Sea (July 1992) as the guiding principles for the forum, many delegates stressed the necessity to formulate measures to build mutual trust, carry out preventative diplomatic activities, and strengthen cooperation to restore regional peace and security. Many delegates held that the region is not a single entity, and as a result it is

necessary to formulate a new process to develop a unanimous concept and a consistent system to ensure regional security. The first meeting of this forum was aimed at appraising the regional situation and exchanging views on security. As a result, the meeting did not issue any official documents, just a concluding statement by the forum chairman. All of the participating countries unanimously agreed on the significant role of the ARF and the necessity of maintaining this forum so that talks can be held to help maintain peace and security, not only in Southeast Asia but the Asia-Pacific region in general.

[NHAN DAN] Mr. Minister, could you tell us in what capacity Vietnam attended the ARF and what contributions it made to this forum?

[Nguyen Manh Cam] Vietnam, as a country in the region, sent an official delegation to attend the forum. This delegation had a constructive attitude and a high sense of responsibility for maintaining regional peace and security. At the forum, we stressed the necessity of finding measures to create mutual trust and serve as a basis for ensuring peace, security, and stability. We argued that all countries must persistently carry out negotiations while adhering to their commitments and seriously implementing the principle of resolving disputes through peaceful negotiations on the basis of equality, mutual respect, and refraining from the use of force or threat of force. Disputes must be resolved by all parties concerned. Moreover, all countries must respect one another's national independence; sovereignty; and territorial integrity, including territorial waters, which are composed of the sea area, the continental shelf, and the exclusive economic zone in accordance with the stipulations of international law, especially the 1982 UN Convention on the Law of the Sea. We also asserted our readiness to participate positively in bilateral and multilateral talks, and—together with the ARF members—persistently and gradually develop effective measures to ensure regional peace and security. In this spirit, our delegation's statement received a warm welcome and the approval of most of the delegates attending the forum.

#### Foreign Investment by Country Reviewed

BK0908135694 Hanoi Voice of Vietnam in English  
1000 GMT 9 Aug 94

[Text] France ranks first among Western countries investing in Vietnam. By August 4th, there were 869 projects invested in Vietnam. They are worth 8.98 billion U.S. dollars and one-third comes from Hong Kong and Taiwan. U.S. investment has been on the rise with 14 projects worth 167 million U.S. dollars, ranking that country fourteenth. France ranks eighth with 51 projects worth 488 million U.S. dollars. Next come the Netherlands and Britain.

**Agriculture Ministry Urges Guidance for Crops**

*BK1008134094 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 10 Aug 94*

[Text] The northern provinces have been heavily affected by continual rainfall in recent weeks, according to reports from the Ministry of Agriculture and Food Industry. Rainfall reached over 300-millimeters in Ha Tay, Hai Hung, and Ninh Binh. Heavy rain coupled with flash floods have submerged about 70,000 hectares of tenth month rice in the northern region, of which about 30,000 hectares of the rice are completely under water.

By now the water level has come down, but the consequences of the waterlogging are still critical. The Ministry of Agriculture and Food Industry has requested localities to step up guidance to counter the consequences of waterlogging in production and especially to ensure the supply of main goods such as saplings, petrol and fuel, and electricity. This will help areas to cope effectively if further rain occurs again in August.

For rice fields damaged by waterlogging in August, replacement plants can be re-grown with reserve saplings on some fields and winter maize can be grown on the others. If the waterlogging occurs again in September, reserve rice saplings of (?Bang Thai, Moc Tuyen) can be grown where planting is still possible. Other winter crops should be planted on other lands. The replacement saplings of rice and other crops, and the remaining areas of tenth month rice, should be protected carefully, in order to strive for the highest yield possible for the planting season. The tasks of growing more reserve saplings of rice plants and other crops should be done well. The local offices of agriculture, forestry, water conservancy, and electricity should cooperate closely to deal with any waterlogging as soon as it occurs.

**Fatherland Front To Hold National Congress**

*BK1008143894 Hanoi VNA in English 1409 GMT 10 Aug 94*

[Text] Hanoi VNA August 10—The Vietnam Fatherland Front will hold its 4th National Congress at the Ba Dinh Conference Hall in Hanoi from August 17-19, it was announced at a press conference here today.

According to a representative of the Front Secretariat, the congress will be attended by 459 official delegates including 73 representatives of various religions, 363 from provinces, 103 of ethnic minorities, 9 overseas Vietnamese and 14 entrepreneurs. Of the total delegates there will be 9 women.

This congress will review the activities of the Front over the past years, determine the orientation and tasks of the Front in the 1994-1998 period and pass the Front Statute (Amended).

**\* Draft Laws on People's Councils Discussed**

*942E0075A1 Hanoi NHAN DAN in Vietnamese 2 Jun 94 pp 1,4*

[Article by Ngoc Dan and Tran Dinh Chinh: "Sixth Working Day, 5th Session, 9th National Assembly—Discussions of (Revised) Draft Laws on Organization of People's Councils and People's Committees, and on Election of Members of People's Councils"]

[2 Jun pp 1,4]

[Text] Yesterday, 1 June, in the sixth working day of the session, the National Assembly deputies began to discuss the (revised) draft laws on organizing people's councils and people's committees, and on electing members of people's councils.

In the morning, they met with groups of journalists and pointed to the issues to be discussed in the conference hall. In the groups where NHAN DAN reporters were present, the deputies' general opinion was that the tasks and powers of people's councils and committees are very important. The draft law on organization of people's councils and committees, which has been revised, deals with many concrete issues. However, it still does not highlight the powers of these organs. Many deputies proposed that the draft law take into consideration the relationships with its contents, the goal of having national administrative reforms, and the need to ensure the unified aspect of the state machinery. Its chapters and articles must ensure this aspect in regard to the Law on Organizing the National Assembly and the ability to implement them. A number of deputies from Ho Chi Minh City and Ba Ria-Vung Tau thought that only the articles that urgently need to be revised should be discussed for revision and enlargement this time. As for a more basic and synchronized revision, it should be done when we carry out national administrative reforms.

Many deputies from Thai Binh, Bac Thai, Tuyen Quang, Nghe An, Long An, and Ho Chi Minh City thought that the tasks of people's councils are clearly defined but their functions and powers are unclear and still limited. As to the powers to determine a number of tasks and powers of people's councils between two sessions, these deputies thought that people's committees, in coordination with standing committees of people's councils, should determine them. In each group, there were two different opinions on whether chairmen of people's committees should also be people's councillors: Those who thought they should not argue that this would create favorable conditions for mobilizing and deploying cadres and would allow chairmen to boldly carry out their tasks and powers, and those who believed people's committee chairmen should also be people's councillors argued that the gap between people's councils and people's committees otherwise would be too far.

There also were different opinions about the number of people's councillors at all levels as specified in the

(revised) draft law on electing members of people's councils. A large number of deputies thought that those who run for office themselves and those who are recommended for running should have equal powers. A deputy from Ho Chi Minh City thought that the qualifications of people's councillors are still vaguely defined, which can be easily misinterpreted, and should be rewritten. The Bac Thai deputies proposed that an article be included to determine how to handle violations by councillors who take part in people's councils at two levels and that this article would help to avoid prolonging actions by pushing things around among councillors to avoid it. About people's councillors losing their powers, many deputies proposed that they be treated just as National Assembly deputies, and not at any higher level of handling of such cases.

Many deputies from Ho Chi Minh City and Tuyen Quang Province proposed that wording in the chapters and articles of both draft laws be revised to ensure their being accurate and scientific.

In the afternoon, with National Assembly Chairman Nong Duc Minh presiding, the National Assembly discussed in the conference hall the (revised) draft law on organizing people's councils and committees. All deputies thought that this draft law is necessary and contributes to making people's councils and committees at all levels work more efficiently in the spirit of the 1992 Constitution. Those who spoke mostly clarified the issues about which different opinions still existed.

About the term of people's councils, the draft law sets it at 5 years. In the discussions, there appeared two opinions: One went along with the draft law, and the other opinion proposed a term of two and one-half years, particularly for people's councils at subward, village, and town levels. Deputies Pham Loi (Hanoi) and Tran Hoa (Quang Binh) thought that the 2.5-year term is appropriate because at the village, subward, and town levels there are frequent changes having to do with cadres, who must be replaced or reinforced, and it will be hard to wait for the end of their 5-year term, and that to organize elections to fill their positions will not be something that can be done right away. But many deputies proposed that the term set in the draft law be kept. According to the draft law, people's councils meet twice a year, but some deputies proposed that they meet three or four times so as to be able to consider and resolve all of the work that takes place in the course of the councils carrying out their functions and tasks.

The deputies hotly debated the question whether chairmen of people's committees at all levels should also be people's councillors. Dang Van Cao (Hai Hung), Le Thi Thanh Liem (Ben Tre), and many other deputies thought that because people's committee chairmen head the executive organs of people's councils, they should be members of the latter. But in reality, there may be cases in which, for some reason, people's committee chairmen are dismissed and fired and must be replaced; it will be

hard to handle such cases if one cannot appoint those cadres who are capable and qualified to shoulder this position but are not members of people's councils. Deputies Phan Thi Tien (Dong Thap) and Bui Duc Luan (Haiphong) thought that it would not be necessary for chairmen of people's committees to be members of people's councils. However, if they were members of the latter, it would be better. Deputy Le Khac Binh (Ho Chi Minh City) thought that they should be members of people's councils but the draft law should "open up" in such a way as to allow the appointment of capable and qualified people to the position even though they are not yet people's councillors. The deputies hotly discussed and expressed their disagreement about article 45 of the draft law, which says that between the two people's council sessions people's committees are empowered to consider and resolve any issues having to do with the tasks and powers of people's councils. Vo Nguyen Quang (Thua Thien-Hue), Nguyen Minh Triet (Song Be), Pham Loi (Hanoi), and many other deputies thought that it would be necessary to have discussions and coordination between standing committees of people's councils and people's committees before the handling of the above-mentioned issues and to report on it to the council concerned in its nearest session. Almost all speakers yesterday afternoon stressed the need for perfecting the organization of people's councils at the village, subward, and town levels, because these levels are the closest ones to the people, and for adding the position of deputy chairmen to people's councils (this new position is necessary) to ensure their really efficient activities, which should not be just formal; at the same time, they wanted to make the functions, tasks, and relationships clearer between people's councils and people's committees in fulfilling the socioeconomic development and security-national defense tasks in localities, as well as in implementing the resolutions adopted by the National Assembly, government, and superior organs. Deputy Le Duc Binh (Ninh Binh) said that although he agreed that the people's council organization is not a hierarchical one, there should still be relationships between people's councils at a higher level and those at the basic level, and vice versa. These relationships must be close enough to ensure effective control, supervision, and guidance regarding the fulfillment of the functions and tasks assigned to them. Many deputies thought that in order to allow people's councils at all levels to operate efficiently, we need to increase the number of cadres in charge of specific work, gradually reduce the number of cadres in charge of all kinds of work, and have a system and policy of appropriate treatment linked with such distribution of cadres' work. As for the relationships between people's councils and committees at all levels and the Fatherland Front and mass organizations, Deputy Pham Van Kiet (Can Tho) pointed out that article 54 of this draft law does not show a profound understanding of the provisions in the Law on Organization of the Government,

which clearly define the relationships between the government and the FF and mass organizations, and proposed that article 54 of this draft law reflect the above-mentioned provisions along the line of highlighting the role of the FF and mass organizations in mobilizing the people for participation in the socioeconomic development and other tasks. The deputies also discussed the question of assigning the National Assembly Standing Committee the task of defining the detailed tasks and powers of people's councils and leaving the government the task of defining the same for people's committees. There also was an opinion to the effect that for the sake of unified action, the National Assembly Standing Committee should define the detailed tasks and powers of both people's councils and people's committees. Today the National Assembly continues to discuss the draft laws on organizing (reorganized) people's councils and committees and on electing members of (reorganized) people's councils.

[3 Jun pp 1,4]

Yesterday, 2 June, the 9th National Assembly entered the seventh working day of its 5th session. With National Assembly Chairman Nong Duc Manh presiding, the deputies continued their hot discussions of the two (revised) draft laws in the conference hall.

In the morning, in the discussion of the (revised) draft law on organizing people's councils and committees, Deputy Mai Thuc Lan (Quang Nam-Da Nang), on behalf of his group, pointed to a lack of unanimity due to the fact that this draft law contains so many revised articles and thus appears entirely new. He proposed that the phrase, "ceaselessly maintaining close relationships with the people," be kept in article 3 of the draft law, which defines the tasks and powers of people's councils and committees. On the other hand, Deputy Nguyen Duc Hoan (Quang Tri) thought that the new draft law changes only nonbasic things and asked why we should have a revised law before having major reforms in the administrative system.

As to article 51 of the draft law, which says people's committee chairmen must be members of people's councils and members of people's committees do not need to be members of people's councils, different opinions were expressed, just as they were at the afternoon meeting of 1 June. Deputy Nguyen Thiet Hung (Khanh Hoa) pointed to the realities in his province in the past 5 years, namely, it changed the provincial chairman three times. Each time it had to organize elections for the selected chairman to become a member of the provincial people's council, at the cost of hundreds of millions of dong. Therefore, people's committee chairmen do not need to be people's councillors, but because they are still elected by people's councils, they still are responsible to and supervised by these state powers-holding organs in localities. In their speeches, Mai Thuc Lan (Quang Nam-Da Nang), Bui Thi Binh (Hoa Binh), and Dinh Cong Doan (An Giang) supported the opinion expressed by Deputy

Nguyen Thiet Hung. All deputies, of course, did agree that the best thing would be people's committee chairmen also being members of people's councils. On the other hand, at the afternoon meeting, Bui Bich Lien (Lam Dong), Hoang Thi Bich Ly (Lang Son), and many other deputies affirmed that they supported the draft law requiring that people's committee chairmen also be members of people's councils because these positions must be directly elected by local people who also supervise their activities.

About article 24, which defines the task of people's councillors in resolving letters of complaints, Deputy Nguyen Khac Tao (Ha Tinh) thought it fails to specify sanctions because, he asked, what would happen if the heads of the organs and organizations concerned refused to comply with people's councillors' requests. Almost all speakers talked about article 8. This article includes this issue about people's councils at all levels, namely, they do not form a hierarchy. Deputies Le Quang Dao (Hanoi), Phan Thu (Ha Tay), and Y Xuoi (Kon Tum) agreed that they should not be a hierarchy but expressed the opinion that although they are not hierarchical, people's councils still must guide and supervise the activities of people's councils at lower levels. Deputy Le Quang Dao also pointed out that the draft law cannot reduce the role of these people's powers-holding organs in localities. The reason is that article 5, which deals with the powers and tasks of people's councils, does not fully express the content of article 120 of the 1992 Constitution, which also deals with these people's powers-holding organs in localities. The relationships among people's councils, people's committees, the Vietnam FF, and mass organizations within the political system should need concrete government rules. Deputies Phan Minh Thanh (Tien Giang) and Nguyen Duc Hoan did not support article 45, which says between the two sessions of people's councils, the issues that are within the tasks of people's councils to consider and resolve will be dealt with by people's committees, and instead proposed that such issues be resolved by standing committees of people's councils in coordination with people's committees. Deputy Trang A Pao (Lao Cai) agreed that people's councils meet only twice a year. About article 52, which is about people's committees at village and subward levels, he proposed that villages where many ethnic minority groups live together be allowed to have additional vice chairmen so as to ensure an ethnic structure for the local administrative machinery. Also about article 52, Deputy Hoang Thua (Ha Giang) had a new idea: The number of members of people's committees of provinces and municipalities subordinate to the central government should not be limited to 9-11 and no more than 13, but this number should include heads of organs and directors of economic and technical offices so as to create favorable conditions for these committees to fulfill their socioeconomic, security-national defense, and other tasks.

As to many issues having to do with term, powers, tasks, sessions, election and dismissal of deputies, specialized

committees of people's councils, and so on, the deputies discussed them in a lively manner; they carefully considered every sentence and offered their opinions on even the technical aspects of drafting the text of the two draft laws.

At the meeting in the afternoon, National Assembly Chairman Nong Duc Manh proposed that the deputies concentrate their discussions on the issues where there still were many differences regarding the two draft laws, namely, qualifications of people's councillors at all levels, number of councillors at each level, running for people's council seats either through recommendations or on one's own, and secondary election of people's councillors.

Following his proposal, the deputies expressed their opinions. As a number of their colleagues had expressed their opinions at the morning meeting, many deputies (Bu: Binh Lien (Lam Dong), Do Binh Duong (Ha Bac), Trinh Xuan Mao (Thanh Hoa), and so on) raised questions about the titles of the two draft laws and the contents of their revision. Should we call one draft law the (Revised) Law on Organization of People's Councils and Committees, or the Law on Revision of Some Articles of the Law on Organization of People's Councils and Committees? The reason for the question was the contents of its revision were considerably numerous but did not deal with basic issues. Some deputies proposed that only a number of articles of the two laws be revised to conform to the 1992 Constitution and to respond to the need for electing people's councillors at all levels for a new term.

About the number of meetings to be held by people's councils at all levels, there still existed two kinds of opinion: The first one went along with the draft law; the second opinion supported a proposal to the effect that people's councils at the basic level meet four times a year because at this level they will have to resolve many issues having a direct bearing on the standard of living.

Many deputies thought that at the basic level people's councils should have chairmen and vice chairmen and that at the district and provincial levels heads of people's council committees should be responsible and some members of these committees should join people's council standing committees.

About the term of people's councils, some deputies—Mua Thi My (Lai Chau), Nguyen Van Kha (Nam Ha), and Le Thanh Binh (Soc Trang)—supported a 5-year term for all three levels. Other deputies proposed that for the village level the term be set at 2.5 years so as to coincide with the term of party organizations at this level.

During the discussions, a number of deputies thought that it would be necessary to clearly determine the

relationships between people's council standing committees and people's committees in the period between the two sessions of people's councils, the responsibilities of people's committees as a collective, and the responsibilities of people's committee chairmen as individuals.

Discussing the draft law on election of people's councillors, many deputies were interested in the issue of running for people's council seats either through recommendations or on one's own (chapter 5). Some speakers (Do Binh Duong, Le Thanh Binh, and Dang Thi Thanh Huong) supported running on one's own but pointed out that those who run on their own must also satisfy qualifications and go through the process of seeking opinions of voters where they reside, where they work, and so on just as those who are recommended to run, so as to ensure democracy and fairness among those who run for seats in people's councils at all levels. The issue of holding secondary elections of people's councillors (article 60) attracted quite a large number of deputies into the discussions. Deputies Nguyen Chi Ben (Ninh Thuan) and Dang Thi Thanh Huong went along with the draft law saying that if any units have vacant people's council seats, they can organize secondary elections, but thought that it must clearly indicate what percentage of vacant seats must be reached before secondary elections can be held. Deputy Hoang Thi Bich Ly said that article 60 sets a one-way rule because it does not specify how to resolve the case of vacancies due to councillors being transferred to other units. In the entire working day yesterday, 27 National Assembly deputies expressed their opinions on the two draft laws.

#### Rice Exports Reportedly Rise by 5.7 Percent

*BK1008073594 Hanoi VNA in English 0607 GMT  
10 Aug 94*

[Text] Hanoi VNA August 10—By July 31, the whole country had exported 1.08 million tonnes of rice, up by 5.7 per cent over the same period last year.

In July alone, 185,372 tonnes of rice were exported, an increase of 44 per cent more than last July. Also in the month, three US companies signed contracts for 200,000 tonnes.

This year, local food companies have secured stable markets. Several countries like Peru, Malaysia, Yemen and some in South America have bought large quantities (over 100,000 tonnes).

Thanks to the increase in rice price in the world market and the larger volume of high-quality rice (chiefly having 5-10 per cent broken rice), Vietnam's exported rice has got a price of up to USD [U.S. dollars] 220/tonne, averagely USD 10 higher than that in 1993.

Vietnam has emerged as the world's third biggest rice exporter with 1.8 million tonnes last year, and this year it expected to export two million tonnes.

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